United States Patent and Trademark Office

Performance and Accountability Report Fiscal Year 2001

e-Government-Technology Advancing Technology

F O R E W O R D

James E. Rogan
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

The importance of intellectual property (IP) in today's global economy cannot be overstated. Perhaps more than ever before, the work of the United States Patent and Trademark Office (USPTO) is central to the economic well-being of our Nation – and the world. It is a great privilege and honor to serve as the Director of the USPTO, and I look forward to the many opportunities and challenges that lie ahead.

I was confirmed by the Senate for this position during the preparation of the fiscal year 2001 Performance and Accountability Report, and I believe this report demonstrates that the USPTO has accomplished much of which to be proud. I particularly want to commend Commissioner Nicholas Godici for all the fine work he has done as Acting Director during the past year. Nick has done an outstanding job of leading the agency during a period of considerable transition and challenge, and I know I speak for the entire IP community in saying that we all are grateful for his tremendous service.

The theme of this year's report is "e-Government – Technology Advancing Technology." This is a fitting choice because the USPTO is a leader in providing high-quality, on-line governmental services to its customers. The report that follows provides a detailed accounting of these efforts and our other activities in the intellectual property arena. I hope you find it informative, and I look forward to reporting to you next year on our successes in further improving the quality and timeliness of our products and services.

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MESSAGE FROM THE COMMISSIONER FOR PATENTS AND FORMER ACTING DIRECTOR

The United States Patent and Trademark Office (USPTO) has successfully met unprecedented challenges in recent years, including soaring workloads and increasingly complex technology. New legislative mandates continue to be implemented effectively. I am pleased to report that, for FY 2001, most of the agency's performance is on target and our financial condition is healthy.

Today's knowledge-based economy is the product of revolutionary advances in computing, telecommunications, and biotechnology. Sophisticated information and communication systems have eliminated geography as an impediment to commerce. Protecting the intellectual property (IP) that is driving today's global economy has never been more important. It is essential that the USPTO strive to reinforce its position as the leading IP organization in the world by providing the highest quality patents and trademark registrations in a timely manner, as well as expanding access to patent and trademark information. To do this, the USPTO has refocused its attention on achieving two core business goals: 1) to enhance the quality of USPTO products and services, and 2) to minimize patent and trademark processing times.

The theme of the USPTO's FY 2001 Performance and Accountability Report is "e-Government – Technology Advancing Technology." During FY 2001, the USPTO became the first IP office in the world to offer electronic filing for patents and trademarks over the Internet, much more needs to be accomplished to move the USPTO from a paper to an electronic environment. By aggressively moving toward complete electronic processing, greater levels of quality and customer service will be achieved. Electronic processing of patent and trademark applications will improve efficiency and effectiveness, while providing substantial savings in space, equipment, and file maintenance costs.

Today, the patent Electronic Filing System (EFS) offers convenient Internet filing 24 hours a day, seven days a week. The USPTO maintains an electronic business center on its Web site in support of on-line filing and access to patent information. The business center provides customers with the tools needed to write and file applications. EFS software assembles all application components, calculates fees, validates application content, and compresses, encrypts and transmits the filing to the USPTO. The state-of-the-art software used in the EFS ensures patent filings are securely transmitted to the USPTO using the latest public key infrastructure technology. EFS software also feeds application information to other USPTO production and financial systems, thus improving overall data quality. We are working toward implementing Tools for Electronic Application Management (TEAM), our new electronic file wrapper system. TEAM will bring to fruition an e-Government environment where our customers can do all their USPTO business electronically.

In FY 2001 the USPTO received its 100,000th electronic trademark application via the multi-award winning Trademark Electronic Application System (TEAS). The trademark electronic business center on the USPTO Web site contains everything customers need to complete the entire registration process. They can search the database for conflicting marks using the Trademark Electronic

Search System (TESS), apply for or renew a trademark registration using TEAS, and access trademark application and registration status, ownership, and prosecution history using the Trademark Application Registration Retrieval (TARR) system. Electronic applications are routed directly to an e-Government focused law office for all initial processing, examination, intent-to-use processing, and publication processing. Customers can review the weekly Official Gazette (TMOG) for marks published for opposition, including newly issued and reviewed certificates of registration, at the USPTO Web site. In the future we intend to use e-mail for all correspondence with applicants and registrants.

In addition to our advances in e-Government, the USPTO has successfully implemented the provisions of the American Inventors Protection Act of 1999 (AIPA). In March of 2001, the USPTO, for the first time in its 210-year history, began publishing patent applications in accordance with the provisions of the AIPA. Published applications are available in text searchable electronic form on our Web site, free of charge to the public. Other provisions of the AIPA, including patent term adjustment and inter partes reexamination, also have been implemented successfully.

It's easy. Kathryn Park, Chief Trademark Counsel for GE, files an on-line application as Craig Morris, TEAS Project Manager watches.

Internationally, the USPTO has played a leadership role in strengthening IP rights worldwide and helping American inventors secure IP rights abroad. Working with the World Intellectual Property Organization (WIPO), the United States has led efforts in the areas of substantive patent law harmonization, Patent Cooperation Treaty reform, geographical indications, domain names, and intellectual property enforcement.

The USPTO goals of quality, timeliness, and the movement into a fully electronic environment obviously can be accomplished only through the efforts of our employees. In FY 2001 the USPTO has taken innovative steps to recruit and retain a highly skilled workforce, provide workplace flexibilities, such as our work-at-home program for hundreds of our employees, and provide performance incentives linked to our goals. The terrible events of September 11th have created unexpected challenges for our employees with disruption of both their personal and professional lives. However, our employees have, and will continue to, overcome these challenges and move the USPTO into the future.

Nicholas P. Godici

Acting Under Secretary of Commerce for Intellectual Property and

Acting Director United States Patent and Trademark Office

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

As another challenging year comes to a close, I reflect on the Chief Financial Officer/Chief Administrative Officer (CFO/CAO) organization's ambition to adopt and implement commercial-like best practices. In this regard, I am proud to say that for a ninth consecutive year we received an unqualified opinion on our annual financial statements and for a fifth consecutive year the auditors noted no material weaknesses in our internal control structure.

We also channeled our efforts on customer responsiveness, e-Government, cost competitiveness, and sound management. The American Inventors Protection Act of 1999 provided impetus for electronic filing, maintenance, and publication of documents, clearing the way for major strides in improving customer satisfaction. To support our business units' goals, the CFO/CAO organization has worked diligently to enhance its financial management systems and integrate them with program systems to support the electronic filing of patents and trademarks. To improve responsiveness to our customers, we expanded our ability to process electronic payments, including credit cards and electronic fund transfers. These initiatives are integral to our business units' ability to continue meeting mission and customer service goals and objectives.

Our focus this year also has been on the President's Management and Performance Agenda. The USPTO's strategic business goals directly support the President's agenda. e-Government is one of five key elements of the President's plan. Our customers expect the same quality of electronic service from us that they now receive from successful private sector companies. To ensure security, we provide complete safety and privacy of payment information. Our vendors and prospective suppliers also benefit from electronic procurement processes. Progress was made on our e-Procurement pilot program, which, when fully implemented, will facilitate electronic processing for all phases of procurement. e-Government is not only about collecting fees and conducting contract solicitations over the Web; it is also about doing business in a whole new way. Our primary e-Government role is to support our business units as they transform their operations to a fully electronic environment. As we gradually automate all our operations, the CFO/CAO organization, along with the Office of the Chief Information Officer (CIO), will continue to provide full support by evaluating information technology needs, conducting cost benefit analyses, and providing management information and advice.

Another element of the President's agenda is to increase cost competitiveness and make the federal sector more market-based. The Federal Activities Inventory Reform Act requires agencies to maximize prudent resource management. The USPTO has strongly supported the use of private enterprise in our business activities. The USPTO currently has over 2,800 contract personnel performing a wide variety of clerical, technical and administrative duties. Over the last five years, our use of service contracts has increased significantly as we find ways to address more efficiently and effectively an increasing workload of patent and trademark filings. As more activities are considered for outsourcing, the CFO/CAO organization will continue to provide support in the form of cost analysis and evaluation, financial forecasts and projections, administration, and compliance reporting.

The use of performance-based contracts also is an element of the President's agenda. We introduced performance-based concepts into our procurement solicitations, which holds our contracting community to high standards of performance, cost control, and savings. We will continue to include performance-based standards in new solicitations and in existing contracts as they are modified, extended, and recompeted.

To ensure continued sound management practices, the CFO/CAO organization undertook a number of initiatives this past year. We facilitated strategic planning efforts to drive budget development and assisted, along with the CIO organization, in technology needs assessments. We provided activity-based cost and management reports to our business units and conducted a variety of audits, cost-benefit analyses, return on investment studies, and business cases to ensure careful use of resources and more informed decision-making. We continued to refine our balanced scorecard to better plan, manage, and assess performance. A critical component allowing us to perform these tasks is the quality of our accounting system. We accelerated our transition to a Web-based, client-server core accounting software, with a wide variety of integrated program and administrative applications to support an electronic work environment.

We believe our employees ultimately determine our success. To enhance our employees' well-being, we emphasize empowerment combined with clear expectations. Our goal of increasing employee satisfaction complements our larger goals of improving business performance and customer satisfaction. Our focus on employee retention, skills improvement, and career development opportunities will continue. The planned move to our state-of-the-art complex in Alexandria, Virginia, supports our mission and will help attract and retain the very best people. The move is progressing well and has been firmly supported by the General Accounting Office, which stated that the consolidated facilities will save money and provide for greatly improved security.

Integrating advanced technology with a highly skilled dedicated workforce makes for exciting times. And the USPTO, in particular, is an exciting business. We will continue to assist the USPTO in accomplishing its work by using sound financial information to drive financial requirements and to make strategic and day-to-day business decisions.

Clarence C. Crawford

Chief Financial Officer and Chief Administrative Officer

FIG. 1

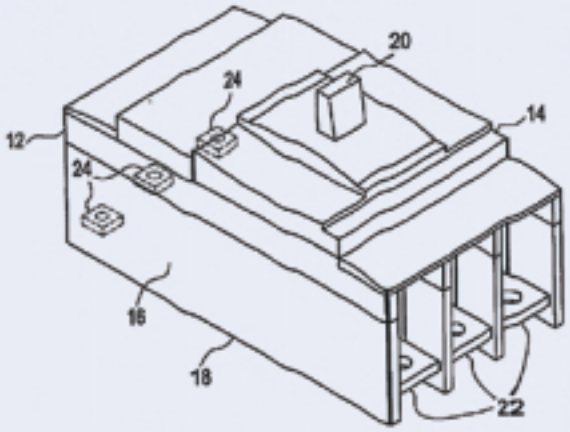


FIG. 2

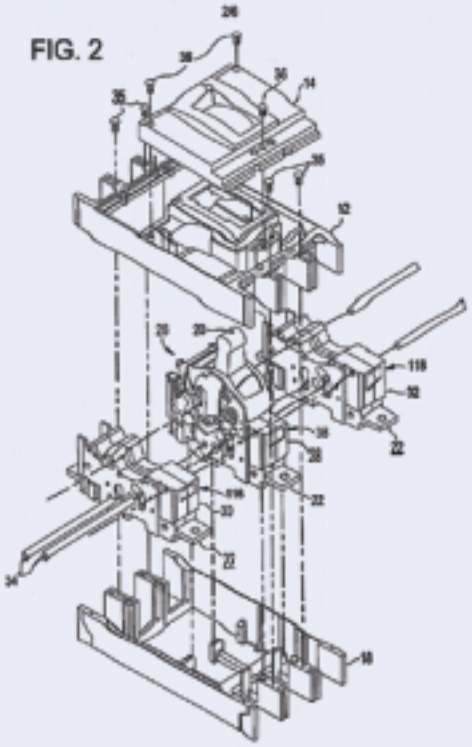
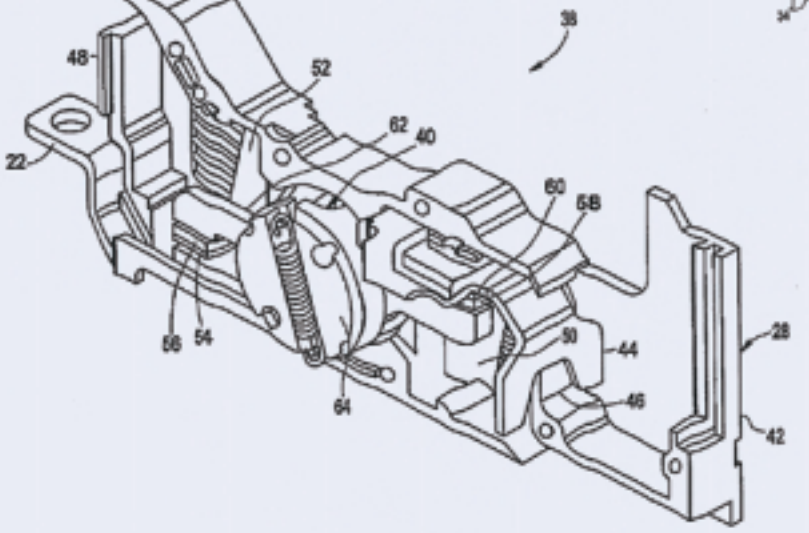


FIG. 3



Patent Application Publication No. US 2001/0048354 for a "pressure sensitive trip mechanism for a rotary breaker," filed electronically by Canton Colburn, LLP, for Gary Douville and Palani Doma of Connecticut, and published after 18 months.

Management Discussion and Analysis

MISSION AND ORGANIZATION OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

Vision

The USPTO leads the world in providing customer-valued intellectual property (IP) rights that spark innovation, create consumer confidence, and promote creativity.

Mission Statement

The USPTO mission is to promote industrial and technological progress in the United States and strengthen the economy by:

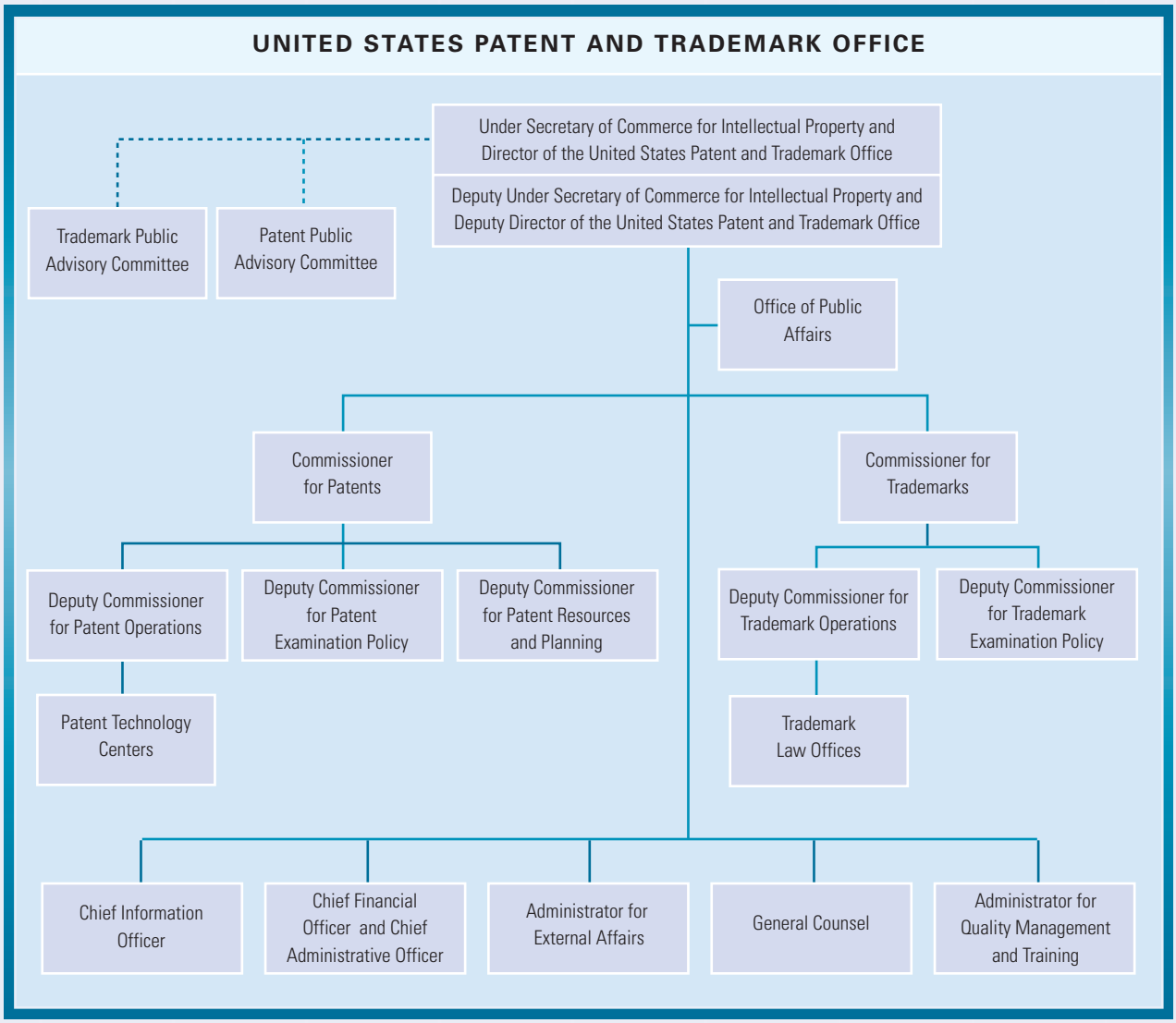
- Administering the laws relating to patents and trademarks while ensuring the creation of valid, prompt, and proper IP rights; and
- Advising the administration on all domestic and global aspects of IP.

The American IP system has played a significant role in the history of our nation's economy. Patents and trademarks have long protected American creativity and ingenuity—the first patent was issued in 1790 for a method of making potash fertilizer, and the oldest active trademark registered is SAMSON with design for "cords, lines, and ropes," and first was registered in 1884. The strength and vitality of our technology-driven economy depends directly on the effectiveness of the mechanisms that protect new ideas and investments in innovation and creativity. The continued demand for patents and trademark registrations underscores the ingenuity of U.S. inventors and entrepreneurs. The USPTO is at the cutting edge of our nation's technological progress and achievement.

The primary services provided by the USPTO to protect IP are administering the laws relating to patent and trademark application processing and disseminating patent and trademark information. Through the issuance of patents, we encourage technological advancement by providing incentives to invent, invest in, and disclose new technology worldwide. Through the registration of trademarks, we assist businesses in protecting their investments, promoting quality goods and services, and safeguarding consumers against confusion and deception in the marketplace. By disseminating both patent and trademark information, we promote an understanding of IP protection and facilitate the development and sharing of new technologies worldwide.

Organizational Structure, Workforce, and Location

The USPTO is an agency of the U.S. Department of Commerce. The powers and duties of the USPTO are vested in the Under Secretary of Commerce for Intellectual Property and Director of the USPTO who consults with a Patent Public Advisory Committee (PPAC) and a Trademark Public Advisory Committee (TPAC). The USPTO has two major business lines – patents and trademarks – as shown in the following organization chart. The USPTO workforce is comprised of 6,426 federal employees, which includes 3,061 patent examiners and 389 trademark examining attorneys. In addition, we have over 2,800 contract employees.


UNITED STATES PATENT AND TRADEMARK OFFICE
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office
Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office
Trademark Public Advisory Committee
Patent Public Advisory Committee
Office of Public Affairs
Commissioner for Patents
Commissioner for Trademarks
Deputy Commissioner for Patent Operations
Deputy Commissioner for Patent Examination Policy
Deputy Commissioner for Patent Resources and Planning
Deputy Commissioner for Trademark Operations
Deputy Commissioner for Trademark Examination Policy
Patent Technology Centers
Trademark Law Offices
Chief Information Officer
Chief Financial Officer and Chief Administrative Officer
Administrator for External Affairs
General Counsel
Administrator for Quality Management and Training

The USPTO is located in Arlington, Virginia. We occupy office space in 18 buildings in the Crystal City neighborhood. In addition, we have a storage facility in Springfield and one in Alexandria, Virginia, and we lease storage space in Boyers, Pennsylvania.

World Wide Web address

http://www.uspto.gov

Web address for the USPTO Performance and Accountability Report

http://www.uspto.gov/web/offices/com/annual

MANAGEMENT CHALLENGES

The USPTO is responsible for supporting the national economy through IP protection. The domestic and global economies are driven in part by new technologies supported by incentives provided by IP laws. The USPTO is one of the principle IP offices in the world, and all the major offices, particularly the USPTO, the Japan Patent Office (JPO), and the European Patent Office (EPO), have experienced rapid increases in the number of patent applications filed and the resulting increase in workload.

Volatility and Economic Uncertainty in the Demand for Products and Services

Patent Management Team:
Stephen G. Kunin; Nicholas P. Godici, Commissioner for Patents; Esther M. Kepplinger; and Edward "Kaz" Kazenske

Over the past decade, the USPTO has faced increasing workload demands, particularly in the filing of patent and trademark applications. However, the volatility of these application filings has been evident particularly in the last year. During the 1990s, patent application filings grew at an average annual rate of 8 percent per year. In fiscal years (FY) 2000 and 2001, the growth rate increased to 12 percent per year, where it is projected to stay through FY 2002 and then level off at 10 percent annual growth through FY 2007. Taken as a whole, these double-digit workload increases are formidable. However, the growth has been particularly explosive in the electrical technologies, which experienced a 19 percent growth over the past two years.

The annual growth rate of applications for registration of a trademark during the 1990s averaged 14 percent. In FY 1999 and FY 2000, fueled by the increase in business related to the Internet, which paralleled the growth of the economy, trademark application filings grew by 27 percent each year. Although application filings decreased in FY 2001 by 21 percent, consistent with a declining economy, the number of applications filed was the second highest level ever recorded. For FY 2002, the USPTO projects no additional growth in filings due to the current economic slowdown. Thereafter, based on projections and statements from the administration, the economy is expected to improve and for trademark applications to return to a growth position.

Increasing Workload of Complex Technologies

In recent years the greatest growth in filings is in the more complex areas of electrical/computer engineering and biotechnology/ bioinformatics technologies. To better manage this changing workload, the USPTO is focusing more heavily on automated

Trademark Management Team: Lynne Beresford; Robert Anderson; and Anne Chasser, Commissioner for Trademarks

search tools and other labor-saving techniques, as well as reviewing its fee structure for fee changes that may result in improvements to facilitate internal application processing efficiencies.

Recent Legislative Mandates

The American Inventors Protection Act of 1999 (AIPA) made significant changes to the structure and management of the USPTO and the patent system. Transition to the new structure and management practices took place in the early part of FY 2000 and continued into FY 2001. The new structure positions the USPTO to function with a more business-like approach.

Changes to the patent system have included patent term adjustments for failure to process patent applications within specific timeframes, pre-grant publication of most patent applications 18 months after filing, and expanded the reexamination process. Implementation of these provisions is still under way. Some of these new mandates created significant financial requirements for the USPTO. Until sufficient historical patterns can be observed, detailed implications for forecasting workload, fee collections, and impact on operations remain unclear.

Space Consolidation

The USPTO plans to consolidate its current operations in Alexandria, Virginia, about three miles from our current site. This space consolidation is a critical step in making the USPTO the best IP office in the world. On June 1, 2000, the General Services Administration (GSA), as agent for the USPTO, executed a 20-year lease for a two-million-square-foot facility to consolidate the USPTO's operations now dispersed among 18 separate Crystal City buildings within a one-mile area, covered by 33 separate GSA leases. Relocation to Alexandria will be phased to coincide with delivery of five interconnected buildings. Occupancy is expected to begin in late FY 2003 and be completed by mid-FY 2005.

Consolidation is critical to the agency's transition to e-Government. The USPTO now has the opportunity to tailor the design of a comprehensive state-of-the-art communication backbone for the facility and to provide for current communication technology such as video-conferencing. Additionally, in conjunction with the move and as part of the transformation to a fully electronic workplace, the agency plans to eliminate paper files in both employee and public search areas to the maximum extent possible.

The USPTO will face numerous logistical and operational challenges in executing this consolidating move. Dual operations, including dual computer facilities, will be required during the phasing of the relocation because the space will be delivered over a protracted period. Supporting employees and

CFO/CAO Management Team: Clarence C. Crawford; Sandra Weisman and Kimberly Walton

customers at geographically separate locations will require careful planning. However, the long-term benefit will be a world-class facility with operational efficiencies and improved allocation of workspace to accommodate the USPTO's growing and changing workplace.

e-GOVERNMENT – TECHNOLOGY ADVANCING TECHNOLOGY

The theme of the USPTO's FY 2001 Accountability Report is "e-Government – Technology Advancing Technology." Therefore, discussion of major information technology (IT) advances made this year in the patent and trademark businesses is appropriate.

The USPTO has undertaken major projects to come to grips with the challenges of an IT-driven economy. In doing so, it has emerged as a leader in e-Government initiatives. The USPTO has applied technology that has facilitated examiners' searches of prior art relevant to patentability and of potentially conflicting marks relevant to the registrability of trademarks. Enhanced technology also has allowed filing of both patent and trademark applications over the Internet, thereby increasing the efficiency of interactions between the public and the USPTO.

PATENTS

The patent business has moved aggressively to conduct business in an e-Government environment. In October 2000, the Electronic Filing System (EFS) was released to full production on schedule. EFS provides for the electronic filing of new utility and pre-grant publication applications. By the end of FY 2001, there were more than 2,000 applications filed electronically. In addition, the patent business continued to expand its EFS outreach and marketing effort. This past year, they visited 16 cities for two-day outreach workshops covering AIPA, the Electronic Business Center (EBC), and EFS. These workshops had a 98 percent satisfaction rating by the 3,200 attendees and 88 percent of EFS filings (November 2000 - July 2001) were from outreach states (26 on-demand workshops, conducted by the USPTO and sponsored by law firms and associations, along with customized workshops and 10 EFS hands-on training classes). The EBC, which operates

CIO Management Team: Wesley H. Gewehr; Doug Bourgeois, Chief Information Officer; and Ron Hack

PRINGLES and design owned by Procter & Gamble Company Application Serial No. 78033141 for snack foods, namely, potato chips and potato crisps

24 hours a day, seven days a week (24/7), also was established to issue customer numbers and digital certificates. The EBC has provided assistance to over 4,200 callers.

Another major focus of patent business e-Government activities was to reduce internal USPTO administrative costs and enhance quality. Toward this end, a development effort for an electronic patent application processing and workflow system was initiated. Tools for Electronic Application Management (TEAM) is the centerpiece of the electronic workplace environment for the paperless processing of electronically submitted patent applications and follow-on papers throughout their entire life cycle from authoring by patent business customers to patent grant and publication and electronic records archival. TEAM will enable customers and internal users to electronically access official and work-in-process application content and track application status before and after publication. TEAM also will enable the USPTO to conduct business electronically with customers and business partners in a secure manner, and will reflect the entire official prosecution history. The goal is to put TEAM into production in FY 2004.

Patent business operations continued to enhance the following IT systems.

Patent Application Information Retrieval (PAIR) System. The PAIR system provides patent applicants with the ability to review the status of their pending patent applications online, via the Internet, 24/7. PAIR provides real time workflow tracking information, records communications sent from the USPTO to applicants, and logs receipt of hard copy documentation from applicants.

GE script & design owned by General Electric Company Application Serial No. 78067128 for use with various plastic products

Electronic Filing System. EFS provides the secure electronic filing of patent applications via the Internet from anywhere in the world, 24/7. Using Public Key Infrastructure (PKI) technology, the confidentiality of sensitive application data is maintained. EFS is a key first step in building an e-Government environment for the USPTO's customers.

Patent Image Capture System (PICS). PICS scans all incoming patent applications, providing retrievable image records. These application image records are used to respond to customer requests for quality certified copies of patent applications as filed. PICS images also are used by patent examiners for security screening of application content, eliminating the need for transporting the paper patent application file wrappers.

Examiners Automated Search System (EAST) and Web-based Examiner Search System (WEST). These two key automated search systems provide every patent examiner with desktop access to all U.S. patents, EPO and JPO documents back to 1920, as well as additional patent databases. EAST and WEST will permit the USPTO to move toward essentially "paperless" searching.

Office Action Correspondence Subsystem (OACS). The OACS enables communications from patent examiners to be created and stored electronically. OACS provides examiners with up-to-date form paragraphs and official forms, and general automated assistance in creating official correspondence with patent applicants.

Mattel, Inc. was the top electronic filer for fiscal year 2001, filing a total of 837 electronic trademark applications.

TRADEMARKS

The trademark business continued its transformation to a totally e-Government operation by expanding and improving upon the availability of trademark information accessed through the Internet. The trademark business exploited the concept of e-Government for use as a tool to more effectively serve an increasingly larger, global client-base, and to extend 24 hour-a-day access to trademark information for external customers, regardless of their location. Electronic filing and information systems serve customers in two very important ways: (1) reducing the time to provide access to

General Electric received a plaque at a ceremony commemorating the 100,000 electronic trademark filing. From left to right Acting Under Secretary Nicholas Godici; Kathyrn B. Park, Chief Trademark Counsel for GE; Ron Myrick, Chief Intellectual Property Counsel for GE; and Anne Chasser, Commissioner for Trademarks.

current information, and (2) improving the quality of the initial application and therefore the quality of the data that is captured and shared in the publication and registration of trademarks.

The trademark business continued to promote the benefits of e-Government by striving to create a single approach for serving all customers, relying on effective use of IT and the resources available at the USPTO Web site. Short- and long-term operational and process changes are designed to support electronic filing and increase electronic communication with USPTO customers. The goal is to perform nearly all communications with trademark customers electronically by FY 2004. A major effort to help the trademark business achieve this goal is the Trademark Electronic Application System (TEAS). TEAS received more than 20,600 application filings in its first year of operation. In the second year of operation (FY 2000), application filings through TEAS more than doubled to over 44,100 filings. In FY 2001, the trademark business received nearly 58,000 applications electronically, including more than 61,000 classes for the registration of a trademark. To foster continuous improvement of this important e-Government initiative, additional trademark forms were added and promotional events were held to encourage use.

The number of electronically filed applications submitted through TEAS accounted for 24 percent of all new applications filed, short of the goal to achieve 30 percent of filings electronically in FY 2001. While pro se applicants and corporations were initially the primary users of TEAS, by the end of the fiscal year, applications submitted by attorneys had risen to nearly 50 percent. As a result of increased filings, a third law office within the USPTO was dedicated solely to the processing of applications received electronically. The USPTO is committed to enhancing TEAS, as well as encouraging greater acceptance and use for the benefit of all those who use trademark information.

Electronic access to trademark information is the basis for the trademark business transformation to an e-Government operation. The trademark business has made significant progress in the use of electronic solutions to deliver greater efficiencies and convenience to customers and to provide employees with the tools and technologies they need to perform their jobs.

LIFE SAVERS GUMMIES owned by Nabisco Brands Company now owned by Kraft Foods Holdings, Inc. Application Serial No. 78035064 for candy

PAMPERS PULL UPS & design owned by Procter & Gamble Company Application Serial No. 78024495 for disposable diapers

All of the trademarks depicted in this year's Annual Report were filed using TEAS, the Trademark Electronic Application System. The marks represent submissions from seven of the top 10 electronic filers for FY 2001.

MISCELLANEOUS LEAF DESIGN owned by Novartis AG CORPORATION Application Serial No. 78074268 for pharmaceutical products, namely, dermatological preparations

GM & design owned by General Motors Corporation Application Serial No. 78063881 for clothing, namely, aprons, caps, coats, dress shirts, gloves, golf shirts, hats, headbands, jackets, moccasins, neckties, overalls, pants, polo shirts, rainwear, robes, scarves, shoes, shorts, sleep wear, slippers, socks, sun-visors, sweat pants, sweat shirts, sweaters, t-shirts and vests

MILK-BONE owned by Nabisco Brands Company Application Serial No. 78072491, Registration No. 2534344 for pet toys

Trademark business operations continued to enhance the following IT systems.

Trademark Electronic Business Center. This free "storefront" service utilizes an Internet browser to search and retrieve information necessary to prepare and file nearly all required trademark application forms, and access status information related to their applications online. They also can search the text and images of more than three million trademark records. Customers can pay for products and services, and order and receive trademark products electronically via the Internet.

Trademark Electronic Application System. The TEAS system allows anyone to file online applications for the registration of a trademark, extensions and statements of use for intent-to-use filings and file for renewal of their trademark. In the past year, the trademark business has enhanced the number and type of forms available as well as the amount and type of information that is available electronically.

Trademark Electronic Search System (TESS). TESS system allows anyone to search the records of more than three million pending, registered, abandoned, cancelled or expired trademarks. TESS makes available to the public the entire database and search system used by USPTO trademark examining attorneys for making decisions regarding the registrability of a mark. In FY 2001, the number of search transactions initiated by public users averaged 1.1 million per month, an increase of 150 percent over FY 2000.

Trademark Application Registration Retrieval (TARR). TARR allows anyone to search the status of pending and registered trademarks available.

OnLine Trademark Official Gazette (TMOG). In the past year, a major publication was made available in a searchable "online" Portable Document Format (PDF) directly from the USPTO Web site. The TMOG, which includes marks that are published for opposition, registered and renewed, is posted weekly along with the four prior issues, for a rotating total of five issues. Internet access to weekly trademark information expands the offerings available that provide customers with searchable access to the entire database of pending and registered trademarks through TESS, and access to application and registration status through TARR.

Dr. Samuel W. Bodman, Deputy Secretary of Commerce, learns more about the trademark electronic filing system during a visit to the USPTO in August last year.

RESCUE HEROES owned by Mattel, Inc. Application Serial No. 78032442 for inflatable children's play sets and children's play spaces in the shape of vehicles, castles, farms, houses, animals and the like

VIACOM owned by Viacom International, Inc. Application Serial No. 78050028 for dissemination of out of home advertising for others on billboards, busses, railways and street furniture

PERFORMANCE GOALS AND RESULTS

Over the past decade, the USPTO faced unprecedented challenges including soaring workloads, resource limitations, increasingly complex technology, and growing demands from customers. Now more than ever, it is critical that the USPTO reinforce its position as the leading IP organization in the world by providing the highest quality patents and trademarks in a timely manner. To do this, the USPTO has refocused its attention on achieving two core goals: (1) enhance the quality of USPTO products and services, and (2) minimize patent and trademark application processing time.

Both the patent business and the trademark business adopted these two goals to guide their operations. In sharing these goals, both patents and trademarks require a fundamental pre-requisite for successfully meeting quality and timeliness goals and targets to transition to e-Government.

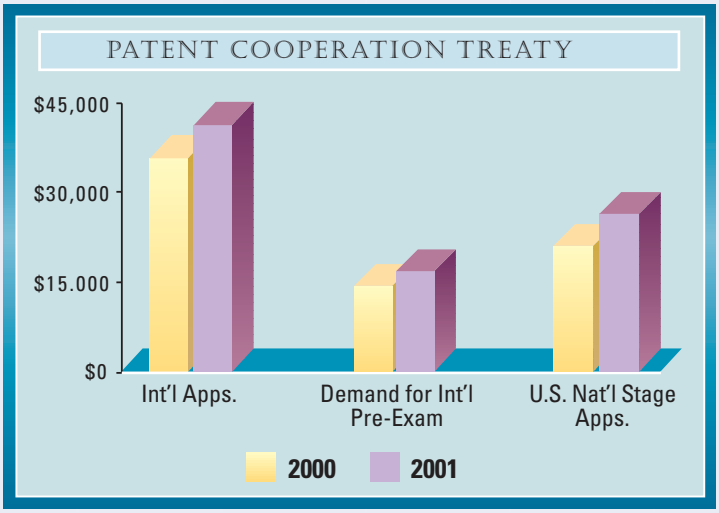
As demonstrated in the following two sections, both the patent and trademark businesses have prepared a strategic plan reflecting their unique environment, size, complexity, and customer base. The patent business plans to put its electronic patent application processing and workflow system into operation in FY 2004. The trademark business plans to complete its transition from paper-based processing to complete electronic processing by FY 2004. Discussion of performance evaluation processes and initiatives, and an overview of IP policy and leadership, follow these two sections.

PATENTS

FY 2001 was another successful year for the patent business. The first full year under AIPA has seen significant progress in implementing the major pieces of this legislation. In May 2001, the patent business published the first U.S. patent applications under the new statute, commonly called pre-grant publications. By the end of FY 2001, a total of 25,376 patent applications had been published. The publication of these application documents is an historic event for the United States patent system. This information will expand the public knowledge of the latest technology. Additionally, the patent business has started measuring patent term adjustments for patents granted that exceed the specific timeframes defined in the AIPA. Further, it received the first request under the new inter partes reexamination rules. The business line also achieved or made significant progress toward achieving the performance goals and initiatives identified in the beginning of the fiscal year. It made notable gains in quality and timeliness, as well as employee and customer satisfaction. The patent business also is making tremendous strides and continues to build on its successes in e-Government.

The patent business continues to receive a record number of applications. It received 326,081 utility, plant and reissue (UPR) applications in FY 2001. Increases in the number of applications in communications, information processing, and biotechnology led to the 11.2 percent growth over last year. The patent business also issued a record 170,643 UPR patents, a three percent increase over FY 2000. For FY 2002, UPR applications are expected to increase another 12 percent, with the high technology areas leading this growth once again.

Filings under the Patent Cooperation Treaty (PCT) continued to increase, as shown in the table below. PCT usage reflects the transition to a global economy because it implements the concept of a single international patent application which has legal effect in the member countries.



An important step toward operating in an electronic environment occurred when the Office of Personnel Management approved the pay raise portion of the "Agreement on Initiatives for a New Millennium" on May 31, 2001. This historic agreement is the result of a cooperative effort by the Patent Office Professional Association (POPA) and USPTO management, and represents a milestone in the progress and commitment toward improving the agency for both customers and employees. The "Millennium" agreement addresses a number of long-standing issues and will help the organization reach its goals. The agreement includes a special pay rate to address recruitment and retention issues for patent examining professionals, moving to an electronic search environment by the phased elimination of paper search files, improving automation tools, establishing a patent examiner work-at-home pilot, and adding a customer service element to employee performance plans. Taken as a whole, these initiatives will have a positive impact on quality, customer service, and timeliness, and provide the patent business with the flexibility necessary to recruit highly-skilled professionals and retain experienced employees who will help the agency move toward electronic-based processing.

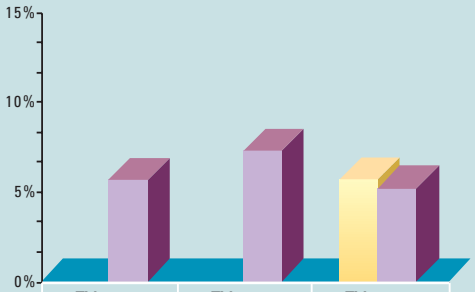
In July last year, the USPTO signed an agreement with the Patent Office Professional Association (POPA) that created a patent work-at-home pilot program. Left to right are: Esther Kepplinger, Deputy Commissioner for Patent Operations; Stewart Levy (standing) Director Technology Center 2800; and Ron Stern, President of POPA.

Goal: *Enhance the quality of our products and services*

Customers are concerned with the quality of the products and services they receive in exchange for the fees they pay. The patent business has made great strides in meeting expectations for high quality products and services.

Results: *Quality of Patents*

Measure: Improve quality of patents by 55 percent through reducing the error rate from 6.6 percent to 3 percent by FY 2006.



	FY 1999	FY 2000	FY 2001
Target	-	-	5.5%
Actual	5.5%	6.6%	5.4%

Discussion: Target met. FY 2001 reflects actual error rate from September 2000 through August 2001. FY 2002 and beyond will be reported on a September to August basis. We will continue to concentrate our efforts on training, providing search tool enhancements, and process improvements.

An error is defined as at least one claim within the randomly selected allowed application under quality review that would be held invalid in a court of law, if the application were to issue as a patent without the required correction. Some examples of errors include the issuance of a claim notwithstanding the existence of anticipatory prior art under 35 USC 102, or relevant prior art under 35 USC 103 that would render the allowed claim obvious. Other errors may include lack of compliance of a claim to the other statutory requirements (i.e., 35 USC 101, 35 USC 112) and judicially created doctrines.

DATA VALIDATION AND VERIFICATION

Data source: Office of Patent Quality Review Report.
Frequency: Daily input, monthly reporting.
Data storage: Automated systems, reports.
Verification: Manual reports and analysis.
Data Limitations: None.

The patent business finished FY 2001 with a 5.4 percent error rate, a great improvement from last year's 6.6 percent. Over the past 18 years, this error rate has varied from 3.7 percent to 7.6 percent. The goal is to reduce the error rate to a level of 3 percent by FY 2004.

Another key quality measure is the percent of allowed applications where a significant question relating to quality of the examination process was raised. This year, the patent business improved from 7.7 percent to 5.1 percent, beating its target of 7 percent. Based on the input from our PPAC, the business is developing a quality index that will incorporate a number of metrics to achieve a better-balanced measure of quality.

Programs to ensure the quality of patent business services and products include partnerships, focus sessions, and round-tables with customers. For example, the business established a customer partnership-working group in the business methods technology area. An inaugural business methods partnership meeting was held at the USPTO on March 1, 2001, with approximately 60 representatives from the business and legal communities, trade associations, and academia.

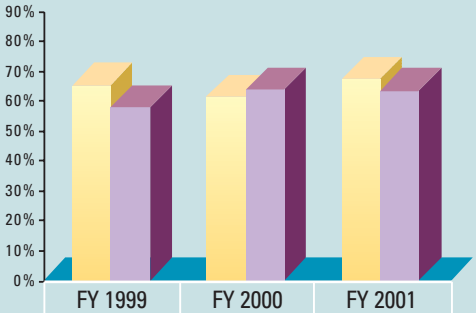
The in-process review program continues to help identify areas that need quality improvement within the technology centers (TC), and design training programs to enhance the quality of our products. Leadership continues to meet regularly with front-line supervisors and quality specialists to share knowledge; stress the importance of quality, training and employee development; identify systemic issues; and explore best practices. Other initiatives include focus sessions with customers on key aspects of patent examination. "Road shows," utilized in the biotechnology area, have brought training on the latest procedural issues to many of patent business customers. Patent examiners continue to attend technology fairs where industry highlights the latest in technology and processes. Further, patentability reviews have been expanded to review the correctness of each allowed application in the emerging technology areas where the prior art is not well established.

Implementing the AIPA has presented numerous challenges, as well as opportunities to improve quality in the USPTO. In FY 2001, the patent business provided the public with text searchable access to the published application database through the USPTO Web site. *A Patent Business Goal and AIPA Rulemaking and Patent Examination Guidelines* – first supplement was developed for distribution to internal and external customers, and training materials for examiners were created on inter partes reexamination. In August 2001, a new edition of the Manual of Patent Examining Procedure (MPEP) was completed, which incorporates the changes necessitated by the AIPA and a number of final rule packages that became effective since the last revision of the MPEP in February 2000. The electronic version of the new edition of the MPEP in PDF was posted on the USPTO Web site in September 2001.

The second business methods partnership meeting was held last year. Among those in attendance were, from left to right: Vincent Millin, Supervisory Patent Examiner, TC 2100; Alec French, House Judiciary Committee; John Love, Director, TC 2100; Chris Katapis, House Judiciary Committee; Jim Trammel, Supervisory Patent Examiner, TC 2100; and Wynn Coggins, Supervisory Patent Examiner, TC 2100.

Results: Customer Satisfaction

Measure: Increase overall customer satisfaction from 64 percent to 80 percent by FY 2006.



	FY 1999	FY 2000	FY 2001
Target	65%	60%	67%
Actual	57%	64%	64%

Discussion: Target not met. The USPTO has been surveying customers of the patent process since FY 1995. Overall satisfaction remained virtually the same until FY 1998 with significant improvement in FY 1999 and FY 2000. Our survey contractors labeled this 5 percent increase "statistically significant." They have cautioned us that repeated "significant" increases in overall satisfaction are highly unusual. We will concentrate on improving key drivers of customer satisfaction, such as providing consistency of office communications from examiners, managing pendencies in high-growth technologies, and reducing backlog in status letter inquiries.

DATA VALIDATION AND VERIFICATION

Data source: Customer surveys.

Frequency: Surveys are conducted and results are reported annually.

Data storage: Paper files and contractor electronic files.

Verification: Independent contractor develops data instrument, conducts survey and compiles results.

Data Limitations: None.

Customer satisfaction with the patent business service is high, given the nature of the business. Customers are most satisfied that employees treat them with courtesy each time they contact the agency, that assistance is available at a time convenient to them, application instructions are clear, the telephone is used to resolve examination issues, the outcome met their objectives, and final decisions are fair. Yet there continues to be

Over 180 independent inventors attended the USPTO 6th annual Independent Inventor Conference in August last year.

Speakers at the conference included, left to right: Dan Lauer, inventor of WATERBABIES; Joanne Hayes-Rines, editor and publisher of Inventors Digest Magazine; and Richard Levy, inventor of the FURBY.

opportunities for improvement. Areas for improvement include the time required to correct problems, consistency of examinations, accuracy in correcting problems, and the time required for responding to status letters.

The patent business expanded the number of customer service centers throughout the organization to answer customer questions and resolve problems correctly and in a timely manner. The business piloted an automated complaint management system to analyze the root-cause of problems and improve processes. The USPTO provided desktop facsimile service to all TCs so that customers can send their documents directly to the individual responsible for getting their issues resolved. The patent business also has expanded the number of customers having direct access to their application information through the online PAIR system, allowing them to check on the status of their patent applications at any time. In FY 2002, the patent business will begin implementing systems and solutions to respond to status letter inquiries based on feedback from the PPAC and customers.

Goal: *Minimize patent application processing time*

The patent system has been the foundation of America's great innovative success. The system carefully balances the exclusivity incentive it offers against disclosure, and openness of the invention that accrues to society as a whole by the use of the invention once the term of patent protection has ended. It is critical for the USPTO to maximize the term of patent protection for the inventor, as well as avoid extension of patent term beyond that necessary.

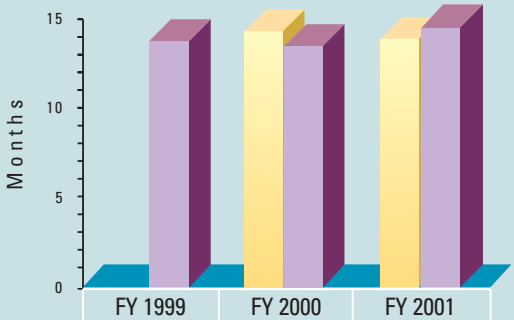
The AIPA legislation provides a guarantee that ensures diligent applicants maximize their patent terms. Failure of the patent business to take the actions listed below will result in the patent term being extended one day for each day of delay.

Issue a first office action within 14 months of filing	Target – 78.0% Achieved – 74.3%
Respond to an applicant's reply to a rejection or to an appeal brief within four months	Target – 98.0% Achieved – 98.1%
Act on an application within four months of a decision of the Board of Patent Appeals and Interferences or a decision of the Federal Court	Target – 84.0% Achieved – 84.1%
Issue a patent within four months of payment of an issue fee	Target – 87.0% Achieved 92.2%
Issue a patent within 36 months of filing	Target – 86.0% Achieved – 87.2%

During FY 2001, 414 new patent examiners were hired and trained to help reduce processing time and address the growing workload. To provide timely information on progress, the patent business developed new management and balanced score-card reports to track critical performance targets. It balanced workloads and shifted resources to address critical shortages in various TCs. The business formed a new Technology Center 2100 to help with rapid growth in the business method area, and transferred approximately 30 experienced examiners from outside the electrical areas into the new TC 2100 to help with the workload and training of newer examiners.

Results: *First Action Pendency*

Measure: Reduce average first action pendency to 12 months by FY 2006.



	FY 1999	FY 2000	FY 2001
Target	-	14.2	13.9
Actual	13.8	13.6	14.4

Discussion: Target not met. The government-wide hiring freeze prevented the timely hiring of patent examiners. The hiring of patent examiners will enable us to meet our target.

DATA VALIDATION AND VERIFICATION

Data source: Patent Application Location and Monitoring (PALM) system.

Frequency: Daily input, monthly reporting.

Data storage: PALM, automated systems, reports.

Verification: Accuracy of supporting data is controlled through internal program edits in the PALM system. Final test for reasonableness is performed internally by patent examiners and supervisory and program management.

Data Limitations: None.

With a net increase in staffing (414 hired, 263 lost: net gain of 151 examiners), and an 11 percent increase in filings, the patent business has increased the number of first actions by 4,349 (241,770 up from 237,421) and increased the number of balanced disposals by 5,149 (239,493 up from 234,344).

Patent Application Publication No. US 2001/0035658 for a "vehicle and bumper assembly…," filed electronically by Rader, Fishman, et al, LLP, for Jeffrey A. Anderson et al of Michigan, and published after 18 months.

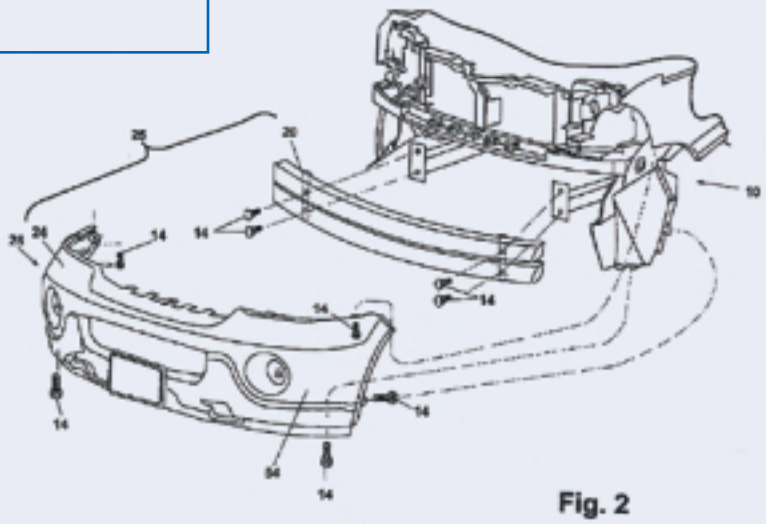
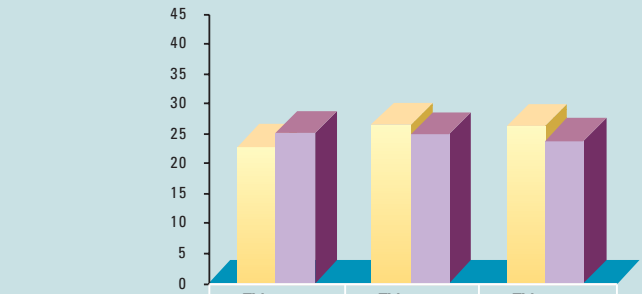


Fig. 2

Results: *Total Pendency*

Measure: Reduce average total pendency to 26 months by FY 2006



	FY 1999	FY 2000	FY 2001
Target	23.3	26.2	26.2
Actual	25.0	25.0	24.7

Discussion: Target met. Decreased the time from first action to issue and abandonment. The hiring of patent examiners will enable us to maintain our target.

DATA VALIDATION AND VERIFICATION

Data source: PALM system.

Frequency: Daily input, monthly reporting.

Data storage: PALM, automated systems, reports.

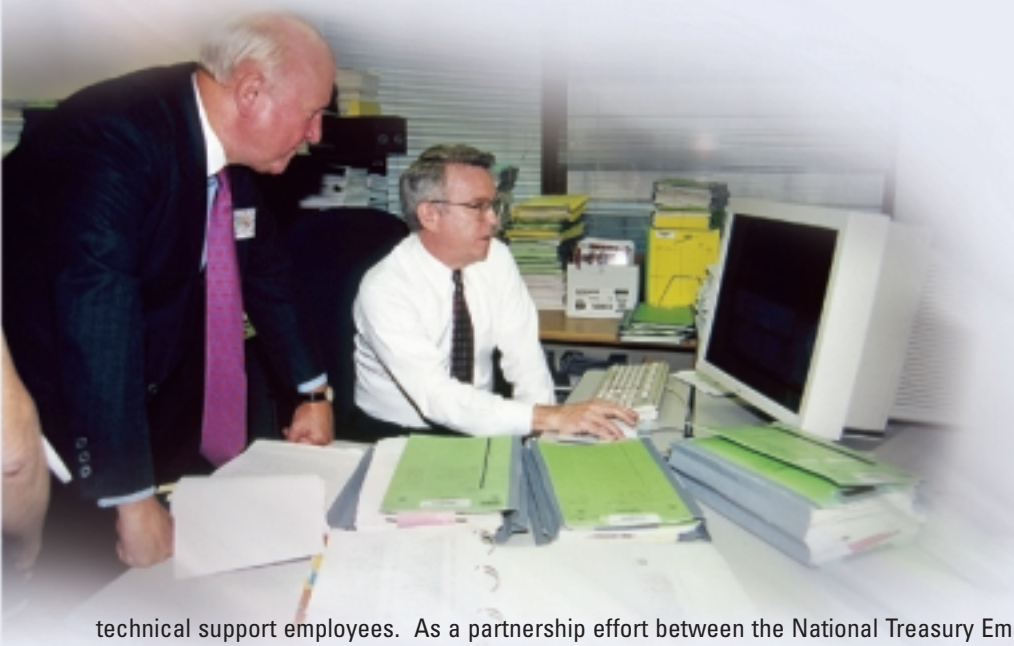
Verification: Accuracy of supporting data is controlled through internal program edits in the PALM system. Final test for reasonableness is performed internally by patent examiners and supervisory and program management.

Data Limitations: None.

A performance incentive program to increase the productivity of current resources was implemented. The technology center group directors' performance plan and awards program now includes incentives to meet set production and pendency targets. A new performance plan and awards program for supervisory patent examiners was implemented at mid-year FY 2001, and also includes incentives to meet set production and pendency targets.

Employee Satisfaction Initiative. Employee ownership and accountability for providing high quality customer service characterizes the patent business environment. The patent business views employees as its most valuable resource, and understands the importance of updating and expanding employee skills, knowledge, and abilities. By providing opportunities for employees to expand their professional competencies and experience personal growth and development in their careers, the USPTO is developing a diverse and expert staff genuinely interested in, and capable of, supporting and helping customers get patents. As employee satisfaction increases, the USPTO expects customer satisfaction and business performance to increase as well.

The patent business developed a new program for automation training for examiners and supervisors. The program was developed based on extensive feedback from examiners and includes the following key concepts: a bank of training hours, core curriculum, self-registration, non-traditional training hours, and online course catalog. This new automation-training program empowers employees to design their own automation training curriculum based on their level of expertise and their work schedule. This program has received tremendous positive feedback from employees. This past year, considerable time, energy, and resources were devoted to developing a knowledge, skills, and abilities (KSAs) developmental guide for



Deputy Secretary of Commerce Bodman learns more about electronic patent searching during a visit to the USPTO last year.

technical support employees. As a partnership effort between the National Treasury Employees Union - Local 243 and the USPTO, this project will identify the KSAs needed as the patent business transitions to an e-Government environment.

The annual patent employee satisfaction survey showed a marked improvement this fiscal year. The percent of employees in the patent business area who are satisfied with their job reached 65, a 10 percent increase over FY 2000 results. The patent business continues to make great progress in key measures that drive employee satisfaction, most notably the percent of patent employees who feel proud to work for the USPTO, who are proud of the work that they do, and who are satisfied with communication across the office.

These innovative initiatives have helped the patent business achieve many of the FY 2001 goals. In FY 2002, the patent business will continue to work with employees, managers and the PPAC to explore other opportunities to increase the quality of patent business products and improve the overall level of customer satisfaction.

Patent Performance

The American Inventors Protection Act, Title VI, Subtitle G, the Patent and Trademark Office Efficiency Act, established the USPTO as a Performance Based Organization (PBO) on March 29, 2000. The legislation allows appointment of a Commissioner for Patents as the Chief Operating Officer for Patents, and a Commissioner for Trademarks as the Chief Operating Officer for Trademarks. It also requires that an annual performance agreement be established between the Commissioners and the Secretary of Commerce. The agreement outlines measurable organizational goals and objectives for the PBO. The Commissioners may be rewarded a bonus, based upon an evaluation of their performance as defined in the agreement, of up to 50 percent of their base salary.

The patent business goals formed the foundation for the annual performance agreement between the Commissioner for Patents and the Secretary of Commerce, as required by the AIPA. The performance agreement outlined measurable organizational goals and objectives for the patent business based on the above goals and performance measures. At the time of publication, the Commissioner for Patents performance bonus had not been determined.

TRADEMARKS

In the past year, the trademark business has received recognition for excellence in three national competitions for its successful electronic filing system, TEAS, and its telecommuting program. Recognition at this level is evidence of the success of both of these programs and a significant accomplishment for the USPTO considering the level of competition and publicity these programs generate. While the USPTO is primarily concerned with how customers perceive TEAS, and how employees and the trademark business benefit from the electronic filing and telecommuting programs, it is pleased with the outside recognition it has received for its e-Government efforts.

In October 2000, the USPTO learned that the panel of judges for the *2000 Government Technology Leadership Awards* had selected TEAS as one of its winners. For the last eight years, the *Government Technology Leadership Awards* program has celebrated successful U.S. government initiatives. By honoring meritorious projects and the teams responsible for them, the awards have sought to encourage innovation. The awards salute projects, large and small, that directly have aided the mission of their organizations by boosting efficiency and effectiveness, lowering costs, and/or improving service to the public through original uses of technology.

Each year as a cooperative academic-industry effort, the College of Business at Rochester Institute of Technology (RIT) and USA TODAY host the *Quality Cup Competition*. This competition recognizes teams who have made significant contributions to the improvement of quality in their organizations. In March 2001, the TEAS program was awarded the finalist prize in the government category for the *2001 RIT/USA TODAY Quality Cup Competition*.

On June 25, 2001, the USPTO hosted a ceremony to recognize the receipt of the 100,000th TEAS application, as filed by the General Electric Company. The 100,000th filing is a significant milestone in creation of an e-Government operation and confirmation of customer acceptance for electronic filing.

In August, the USPTO received the Commuter Connections Employer Recognition Award for its Trademark Work-at-Home (TWAH) telecommuting program. The award, sponsored by the Metropolitan Washington Council of Governments, recognized the trademark business as one of four employers that have created a workplace where telecommuting produces a "smarter way to work."

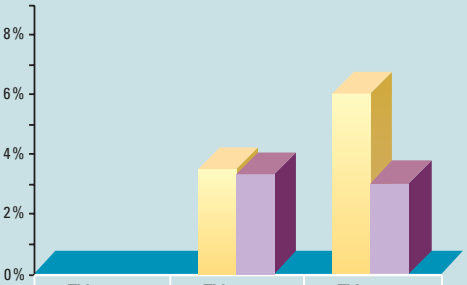
Pictured here are the members of the award winning TEAS team with Acting Director Nicholas Godici, on the left, and Commissioner for Trademarks, Anne Chasser, on the right.

GOAL: *Enhance the quality of our products and services*

Examination quality was rated at 96.9 percent, based on standards for assessing the "clear error" rate, for determining the type of errors that could affect the registrability of a mark. The review of pending, registered, and abandoned files by the Office of Trademark Quality Review determined the overall error rate to be 4.5 percent for the year including deficient search strategies.

RESULT: *Examination Quality*

Measure: Reduce the error rate from 6 percent to 3 percent by FY 2004.



	FY 1999	FY 2000	FY 2001
Target	-	3.6%	6.0%
Actual	-	3.4%	3.1%

Discussion: Target exceeded. An error rate is any error that has the potential to affect the registrability, validity or value of a trademark registration. Examples would be the failure to refuse registration in view of a prior registration which may result in the likelihood of confusion and the failure to refuse a mark that is merely descriptive of the goods or services. The trademark business is currently developing a quality index that will incorporate a number of metrics to achieve a better-balanced measure of quality.

DATA VALIDATION AND VERIFICATION

Data source: Office of Trademark Quality Review Report.

Frequency: Daily input, monthly reporting.

Data storage: Automated systems, reports.

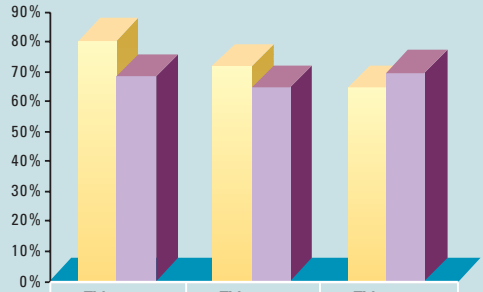
Verification: Manual reports and analysis.

Data Limitations: None.

During the past year, the trademark business worked to establish a more consistent set of quality measures that would better reflect the current quality of examination for use beginning in FY 2002. The trademark business has initiated plans for the creation of a new set of measures for first action and current quality and to create the infrastructure needed to support incorporating the results of the reviews and improving the examination practice.

Results: *Customer Satisfaction*

Measure: Increase overall customer satisfaction from 70 percent to 80 percent by FY 2005.



	FY 1999	FY 2000	FY 2001
Target	80%	72%	65%
Actual	69%	65%	70%

Discussion: Target exceeded. The trademark business will continue to seek new ways to increase our overall customer satisfaction including expansion of current initiatives. We also will continue prudent monitoring of our progress with independent annual customer surveys.

DATA VALIDATION AND VERIFICATION

Data source: Customer surveys.

Frequency: Surveys are conducted and results are reported annually.

Data storage: Paper files and contractor electronic files.

Verification: Independent contractor develops data instrument, conducts survey and compiles results. Final test for reasonableness is performed internally.

Data Limitations: None.

Results of the annual customer satisfaction survey indicate that, considering all customer experiences with the trademark process, 70 percent of trademark business customers report satisfaction with its service. This is a significant improvement of five percentage points from last year's results. Customers who reported dissatisfaction dropped to a low of 13 percent.

Results that have the most significant impact on the level of satisfaction our customers report include:

- Clear written position of examining attorneys (improved two percentage points to 79 percent);
- Prompt referral to appropriate office or person within the organization (improved by four percentage points to 72 percent);
- Phone calls returned within one business day (improved by two percentage points to 55 percent);
- Resolution of problems within seven days (improved by one percentage point to 33 percent); and
- Mailing of filing receipts for paper-filed applications within 14 days (significantly improved by 16 percentage points, to 43 percent).

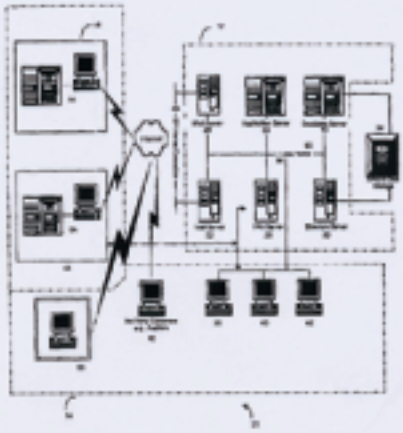
Overall, the trademark business received high marks for its quality improvement initiatives, shorter cycle times, and outstanding customer service. Several other customer service improvement initiatives were undertaken this year.

Trademark Assistance Center. The Trademark Assistance Center was restructured in the past year to address the weakness of handling customer complaints and to improve problem resolution. Both of these areas for improvement were identified in customer survey data. Results have been extremely favorable. By the end of the year, the service level measure indicating the percent of calls responded to within 20 seconds improved significantly -- from 23 percent at the beginning of the year to 62 percent by year's end. Improvements that focus on identifying the source of customer complaints with the objective of preventing future occurrences will be implemented in the next year.

Goal: *Minimize trademark application processing time*

The USPTO received 232,939 trademark applications, including 296,388 classes for registration, marking the second highest level of filings ever recorded. This milestone followed two consecutive years with increases of 27 percent per year in the number of applications filed. Filings in FY 2001 were 21 percent less than in FY 2000. For the first time in nine years, fewer applications were received in a fiscal year than in the previous year, reflecting the largest one-year decline but also the second highest level of filings ever reported.

A second agreement for a trademark work-at-home pilot project was signed last year with NTEU. Present at the signing were, seated from left to right: Susan White, paralegal Office of the Commissioner for Trademarks; Melvin White, President of NTEU 243; and Anne Chasser, Commissioner for Trademarks. Standing, left to right: Fred Turner, NTEU representative; Robert Anderson, Deputy Commissioner for Trademarks; and Debbie Cohn, Group Director Trademark Law Offices.



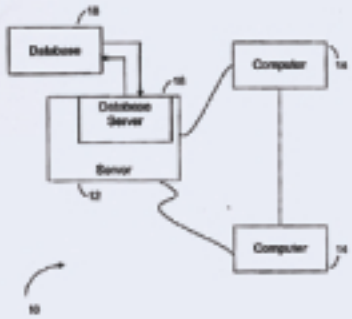
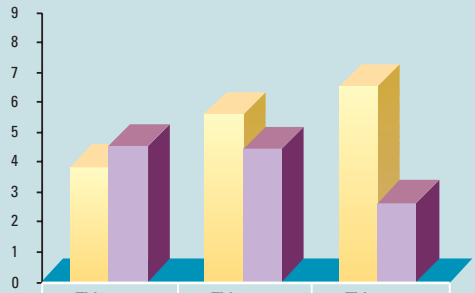


FIG. 1

Patent Application Publication No. US 2001/0047321 for "methods and systems for auctioning products," filed electronically by Armstrong Teasdale, LLP, for Gregory R. Wyatt of Connecticut, and published after 18 months.

Results: *First Action Pendency*

Measure: Reduce average first action pendency to 2 months by FY 2004.



	FY 1999	FY 2000	FY 2001
Target	3.9	4.5	6.6
Actual	4.6	5.7	2.7

Discussion: Target exceeded. The trademark business will utilize the opportunity a reduced level of filings presents to further reduce our average first action pendency to two months by FY 2004. We will continue to set realistic targets in consideration of the impact electronic activities has on our workload.

DATA VALIDATION AND VERIFICATION

Data source: Trademark Reporting and Monitoring (TRAM) system.

Frequency: Daily input, monthly reporting.

Data storage: TRAM, automated systems, reports.

Verification: Accuracy of supporting data is controlled through internal program edits in the TRAM system. Final test for reasonableness is performed internally by examining trademark attorneys and supervisory and program management.

Data Limitations: None.

Reduced application filings along with significant increases in examiner production and customer service performance incentives contributed to reducing first action pendency to its lowest level in 13 years. The time from filing to an examiner's first office action decreased by the end of FY 2001 to 2.7 months from a high of 6.2 months nine months earlier. This is the first time since 1992 that first action pendency has been within the three-month goal.

Patent Application Publication No. US 2001/0049668 for "integrated marketplace model," filed electronically by Michael Dryja, Esq., for Dolores M. Wright of Minnesota, and published after 18 months.

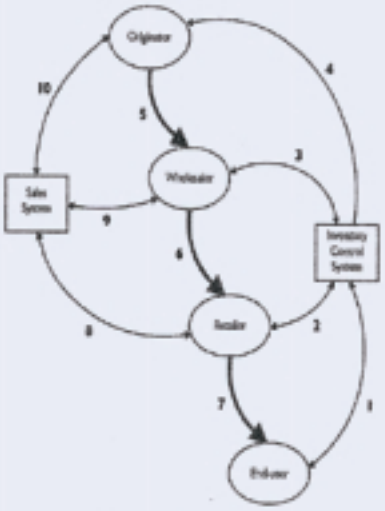
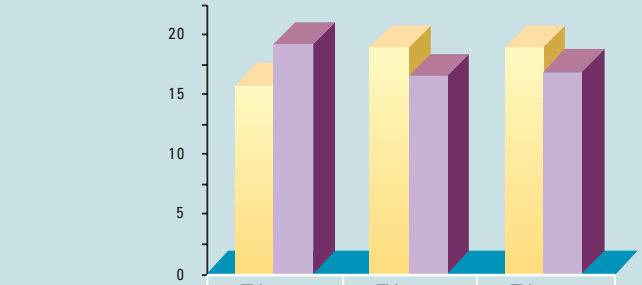


Figure 1

Measure: Reduce average total pendency to 12 months by FY 2006.



	FY 1999	FY 2000	FY 2001
Target	15.5	18.0	18.0
Actual	18.9	17.3	17.8

Discussion: Target met. The trademark business will utilize the opportunity a reduced level of filings presents to further reduce our average total pendency to 12 months by FY 2006. We will continue to optimize our examiners as a resource to ensure pendency to disposal is minimized. Results should be revealed in the next customer satisfaction survey.

DATA VALIDATION AND VERIFICATION

Data source: TRAM system.

Frequency: Daily input, monthly reporting.

Data storage: TRAM, automated systems, reports.

Verification: Accuracy of supporting data is controlled through internal program edits in the TRAM system. Final test for reasonableness is performed internally by examining trademark attorneys and supervisory and program management.

Data Limitations: None.

Continued high levels of applications under examination from prior years kept overall pendency to registration, notice of allowance or abandonment above the 13-month goal at 17.8 months. As the total number of applications under examination is reduced, and first actions are taken within three months, overall pendency to registration will decrease.

Employee Satisfaction Survey Results. Results of the annual employee satisfaction survey reveal that an impressive number of trademark employees–68 percent of them–find satisfaction in the work that they do at the USPTO. Overall satisfaction of trademark employees working at the USPTO is 66 percent for the same group of employees, indicating a majority are proud to work for the USPTO. Survey results confirm that flexible work schedules, increased options for telecommuting, and opportunities to increase compensation through performance incentive awards have contributed to the satisfaction of the employees working at the USPTO and in the trademark business.

Incentive Awards. Performance-based awards were introduced to provide incentives for increased production and maintaining customer service timeliness goals. Examiners were offered the opportunity to receive semi-annual production awards of up to $10,000 for significantly higher production. Overall, the average number of first actions per examiner was 30 percent higher than the year before and the average number of action points was up more than 24 percent as a result of incentive awards. The total actions improved by nearly 26 percent with a 32 percent improvement in the number of first actions. Along with increasing employee satisfaction, incentive awards have drastically improved individual and overall production of the examining corps, reducing pendency, and increasing the total number of examiner disposals.

A group incentive award for maintaining customer service response times was implemented for technical support staff in the second half of the year and has resulted in significant progress in improving and maintaining processing times for responding to customer requests.

Trademark Work-at-Home Program. The number of examining attorneys in the TWAH telecommuting program increased more than 56 percent since the beginning of FY 2001. The program consisted of 57 participants at the beginning of FY 2001 and 89 by the end of the fiscal year. The program has led to increased production as well as increased job satisfaction.

In FY 2002, the trademark business will continue to work toward improved performance and customer satisfaction, building upon the progress that contributed to a successful year in FY 2001.

Trademark Performance

The American Inventors Protection Act, Title VI, Subtitle G, the Patent and Trademark Office Efficiency Act, established the USPTO as a PBO on March 29, 2000. The legislation allows appointment of a Commissioner for Patents as the Chief Operating Officer for Patents, and a Commissioner for Trademarks as the Chief Operating Officer for Trademarks. It also requires that an annual performance agreement be established between the Commissioners and the Secretary of Commerce. The agreement outlines measurable organizational goals and objectives for the PBO. The Commissioners may be rewarded a bonus, based upon an evaluation of their performance as defined in the agreement, of up to 50 percent of their base salary.

The trademark business goals formed the foundation for the annual performance agreement between the Commissioner for Trademarks and the Secretary of Commerce, as required by the AIPA. The performance agreement outlined measurable organizational goals and objectives for the trademark business based on the above goals and performance measures. At the time of publication, the Commissioner for Trademarks performance bonus had not been determined.

Patent Application Publication No. US 2001/0046827 for a "method for manufacturing a multi-tube fluorescent discharge lamp," filed electronically by Wen-Tsao Lee of Taiwan, and published after 18 months.

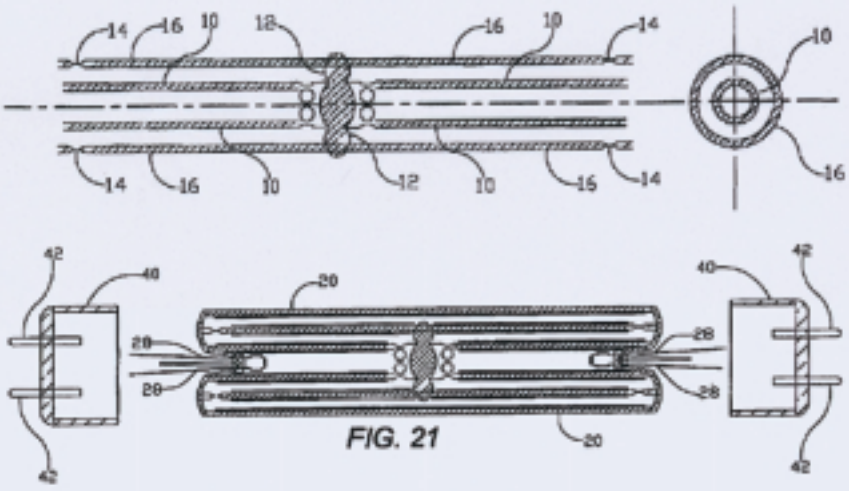


FIG. 21

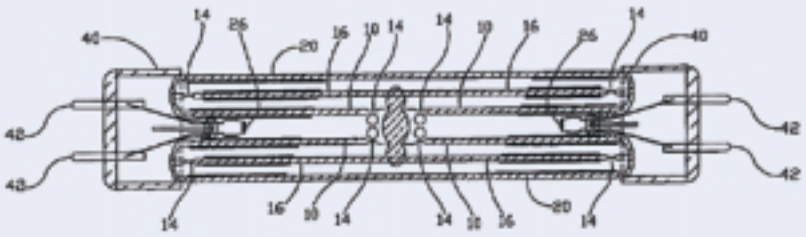


FIG. 22

EVALUATION OF PERFORMANCE DATA

The USPTO reviews and evaluates its performance goals and measures based on customer, stakeholder, and employee input and the results of performance evaluations, as described below.

Customer, Stakeholder, and Employee Input. The USPTO has been a customer-driven organization for almost 10 years, when it began holding focus sessions with customers to determine their needs and expectations. Customer satisfaction efforts began by developing customer service standards relating to timeliness, accuracy, and responsiveness in delivering products and services. Next, customers were surveyed to establish baselines and subsequently measure progress toward customer satisfaction with the business lines in general and with specific goals and objectives. The USPTO recently completed its sixth annual survey of patent and trademark customers.

In 1998 and 1999 we collaborated with the National Academy of Public Administration to define and measure end outcomes of the U.S. patent and trademark systems. Independent inventors, patent and trademark practitioners, industry representatives, academicians, economists, USPTO senior executives, and experts in performance measurement participated in this exercise. The results were published and distributed to the participants in early FY 2000, and the results were used to make changes in operations and systems.

The USPTO also is committed to incorporating employee input into strategic and corporate planning processes. Employee satisfaction levels are one of the key components of the performance measures on USPTO's balanced scorecards. Employee surveys were completed in both FY 2000 and FY 2001. These data have been used to develop initiatives to improve overall employee satisfaction. Several program evaluations were initiated or continued during FY 2001.

Baldrige Assessment. In January 2001, the USPTO conducted a second organization-wide self-assessment using the Baldrige criteria. Data were used to project key requirements for delivering ever-improving value to customers while maximizing overall effectiveness and productivity of the delivering organization. The participants met for four days and were divided into three teams where they collectively discussed each of the Baldrige criteria (i.e., Leadership, Strategic Planning, Customer and Market Focus, Information and Analysis, Human Resources, Process Management, and Business Results). After extensive discussion, each team identified several areas in which the USPTO had particular strengths and other areas where there were opportunities for improvement. Work will continue on implementing improvements as the USPTO continues its journey toward performance excellence.

Quality Reviews. The USPTO conducts ongoing reviews of the quality of patent and trademark examination. The focus of the review for patent applications is threefold: (1) identifying patentability errors, (2) assessing adequacy of the field of search and proper classification, and (3) assessing proper examination practice and procedures. For trademark applications, the review includes four areas: (1) substantive statutory criteria for registrability, (2) search for confusingly similar marks, (3) proper examination practice and procedures, and (4) proper application of judicial precedents. The information from these reviews helps the businesses identify necessary training with the goal of enhancing overall product quality and improving the consistency of examination. The results of these reviews provide analysis in the form of reports to patent and trademark management. These reports serve as a tool for educating examiners and examining attorneys. In addition to reporting specific errors, the analysis provides information on recurring problems and trends.

Management Control Reviews. The USPTO continued to promote work-at-home programs in 2001. The patent work-at-home (PWAH) pilot program was established in July 2001. The PWAH is being undertaken to improve the efficiency and effectiveness of our workforce, as well as improve employee recruitment and retention. The TWAH telecommuting program was expanded from 57 examining attorneys in FY 2000 to 89 examining attorneys in FY 2001, with a pilot that included paralegals. Measurements show that participants increased their productivity by increasing the number of hours worked on examinations.

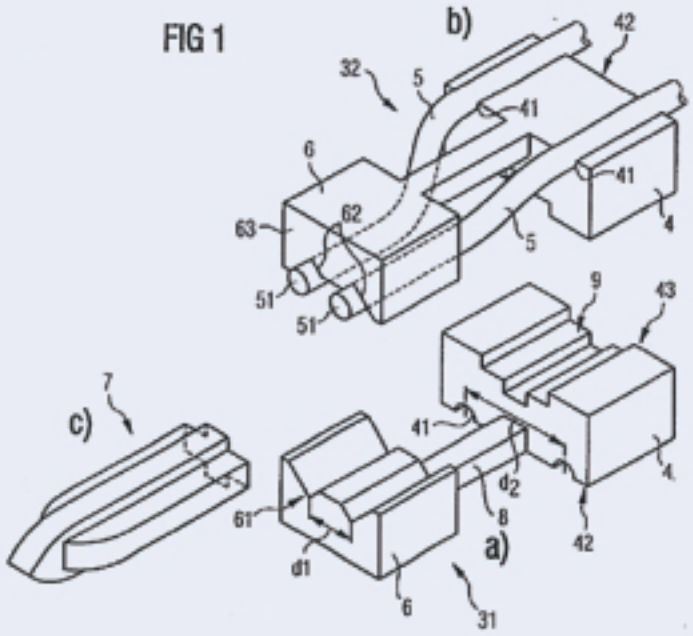
The USPTO researched a number of alternative methods for assessing the productivity of our patent and trademark processes. A promising alternative is similar to the one used by the Bureau of Labor Statistics. This methodology was applied to a trademark productivity analysis, which examined changes in productivity from FY 1998 through FY 2001, and makes projections through FY 2008. The analysis examined the number of hours worked for all trademark employees and contractors and compared them with the number of trademark disposals. Results indicate that trademark productivity has remained about the same from FY 1998 to FY 2001; however, data also indicate trademark productivity is expected to increase steadily throughout the remainder of the study period. A similar methodology is currently under investigation for patents. While it is too soon to report definitive findings from these analyses, the methodology holds significant promise for showing productivity improvements as the USPTO transitions to a fully electronic organization.

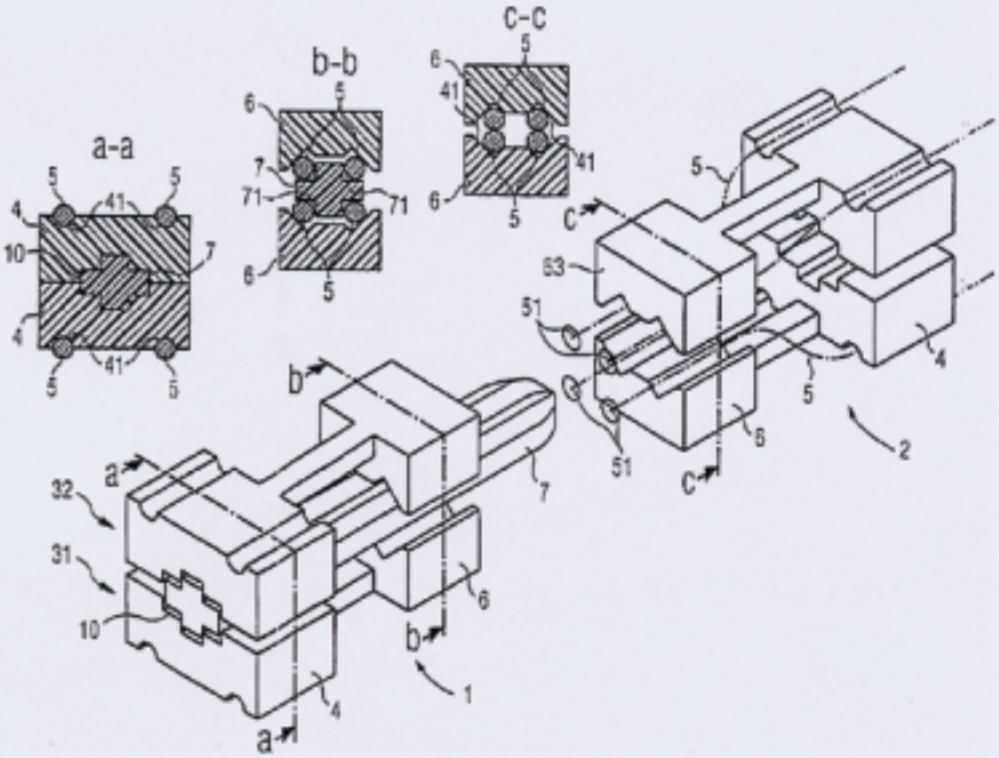
Computer Security Initiatives. Recent initiatives taken to enhance information security include centralized user identification and password administration, upgraded physical access controls, streamlined security tasks with automated tools, and implementation of a campus-wide network intrusion detection system. The IT security Web page that provides information on USPTO's IT security policies, security awareness material, and virus information was enhanced, and accreditation of the IT infrastructure, PTOnet, and the Data Center was completed. Additionally, PKI, which facilitates secure communications and information processing for sensitive information, was deployed for the EFS and the PAIR system.

Review of Unconventional Threats to National Security. The USPTO has significantly enhanced its security efforts in response to the September 11, 2001, attacks on the United States. The agency is in a unique situation in that it occupies office space in 18 public buildings and is not the sole tenant of many of them. The USPTO is working with other federal agencies and property managers in Crystal City to enhance noncyber-based security. Some of the enhancements in place or in progress, include the following:

- Placed lobby level guards in all fully USPTO occupied buildings to check identification, packages, briefcases, etc.
- Increased roving guard patrols tenfold -- guard coverage now includes the parking garages, USPTO occupied space, stairways, building perimeters and all parking areas near the building.
- Ordered X-ray machines for mailrooms to inspect all incoming packages.
- Re-engineered USPTO's Occupant Emergency Plan.
- Initiated weekly meetings with the Federal Bureau of Investigation and the Federal Protective Service.

Patent Application Publication No. US 2001/0046355 for an "optical fiber connector," filed electronically by IBM Corp. for Martin Schmatz of Switzerland (inventor), and published after 18 months.





Office of the Inspector General (OIG) Reviews. The OIG contributes to USPTO's efforts to assure audit and evaluation coordination and coverage of USPTO goals. The OIG conducted the following types of audits and evaluations:

Financial Statement Audit. During FY 2000 financial statement audit, various tests and reviews of the primary accounting system and internal controls were conducted as required by the Chief Financial Officers' Act. In their FY 2000 and FY 2001 internal control report, the auditors reported no internal control material weaknesses or reported conditions. The auditors have issued an unqualified opinion on USPTO's FY 2000 and FY 2001 financial statements.

Program Evaluations. Several reviews of this type were conducted by the OIG. An example is the review of the USPTO performance measures included in the Department of Commerce's FY 2000 Annual Performance Plan. The purpose of the review is to validate the measures and the data collection tools and methods. The results of the audit showed that management controls were in place and operating effectively regarding the collection, validation and reporting of performance measures. In addition, the report stated that the USPTO was committed to developing and producing quality performance measures. Several minor recommendations were reported and have subsequently been implemented by the USPTO.

Discontinued Goals and Measures. As a result of an assessment to focus performance goals and measures on core mission activities, the following goals and measures as stated will no longer be tracked as part of the Government Performance and Results Act. Many of the measures identified below will continue to be monitored as part of USPTO's normal ongoing operations but will not be used to assess compliance with overall agency goals.

Intellectual Property Policy Goal: Strengthen intellectual property protection in the United States and abroad, making it more accessible, affordable and enforceable.

	FY 1999 Actual	FY 2000 Actual	FY 2001 Target	FY 2001 Actual
Measure: Increase in technical assistance to developing countries moving to a market economy - number of countries provided technical assistance.	93	126	125	78
Discussion: Target not met. Not able to recruit staff to conduct technical assistance as a result of hiring freeze in place for part of the fiscal year. Will recruit new staff in FY 2002 to increase technical assistance.				
Measure: Increase in technical assistance to developing countries moving to a market economy – number of technical assistance activities completed.	99	106	105	88
Discussion: Target not met. Not able to recruit staff to conduct technical assistance as a result of hiring freeze in place for part of the fiscal year. Will recruit new staff in FY 2002 to increase technical assistance.				

Patent Goal: Enhance the quality of patent products and services, transition to e-Government, and optimize patent processing time.

	FY 1999 Actual	FY 2000 Actual	FY 2001 Target	FY 2001 Actual
Measure: Percent of allowed applications where a significant question relating to quality of the examination process was raised.	13.9	7.7	7.0	5.1
Discussion: Target met.				
Measure: Percent customer satisfaction with setting forth positions clearly in written communications.	63	63	66	62
Discussion: Target not met. The USPTO has been surveying customers of the patent process since 1995. Overall satisfaction remained virtually the same until 1998 with significant improvement in 1999 and 2000. Our survey contractors labeled this 5 percent increase "statistically significant." They have cautioned us that repeated "significant" increases in overall satisfaction are highly unusual.				
Measure: Percent customer satisfaction with results of the search of prior art.	64	61	64	63
Discussion: Target not met. The USPTO has been surveying customers of the patent process since 1995. Overall satisfaction remained virtually the same until 1998 with significant improvement in 1999 and 2000. Our survey contractors labeled this 5 percent increase "statistically significant." They have cautioned us that repeated "significant" increases in overall satisfaction are highly unusual.				
Measure: Percent customers satisfied with returning phone calls in one day.	57	61	66	64
Discussion: Target not met. The USPTO has been surveying customers of the patent process since 1995. Overall satisfaction remained virtually the same until 1998 with significant improvement in 1999 and 2000. Our survey contractors labeled this 5 percent increase "statistically significant." They have cautioned us that repeated "significant" increases in overall satisfaction are highly unusual.				
Measure: Percent customers satisfied with directing callers to the proper office or person.	64	69	71	70
Discussion: Target not met. The USPTO has been surveying customers of the patent process since 1995. Overall satisfaction remained virtually the same until 1998 with significant improvement in 1999 and 2000. Our survey contractors labeled this 5 percent increase "statistically significant." They have cautioned us that repeated "significant" increases in overall satisfaction are highly unusual.				
Measure: Average days to mail a filing receipt.	23	64	30	48
Discussion: Target not met. Transition from government FTE to contractor personnel took longer than planned. Contractor personnel will be fully trained and expected to meet FY 2002 targets.				
Measure: Percent of filing receipts produced accurately.	73.3	80.5	84.0	89.2
Discussion: Target met.				

	FY 1999 Actual	FY 2000 Actual	FY 2001 Target	FY 2001 Actual
Measure: Percent employee satisfaction on survey question, "how satisfied am I with my job?"	48	58	61	65
Discussion: Target met.				
Measure: Rank in survey results of employee satisfaction in Government.	N/A	N/A	N/A	N/A
Discussion: Government-wide employee satisfaction survey not conducted.				
Measure: Average number of first office actions and disposals (production units).	223,099	235,883	231,954	240,633
Discussion: Target met.				
Measure: Number of patent disposals.	214,556	234,344	226,700	239,493
Discussion: Target met.				
Measure: Percent applications receiving first office actions within 14 months of filing while factoring in term reductions.	83.1	81.2	78	74.3
Discussion: Target not met. The government-wide hiring freeze prevented the timely hiring of patent examiners. The hiring of patent examiners will enable us to meet our target.				
Measure: Percent applications receiving actions after an applicant's amendment within four months.	97.4	98.3	98.0	98.1
Discussion: Target met.				
Measure: Percent applications receiving actions after a Board decision within four months.	N/A	76.9	84.0	84.1
Discussion: Target met.				
Measure: Percent applications granted within four months after issue fee payment.	N/A	89.1	87.0	92.2
Discussion: Target met.				
Measure: Percent patents granted that do not qualify for term extension for exceeding 36 months.	N/A	N/A	86.0	87.2
Discussion: Target met.				
Measure: Percent annual business return on e-Government initiatives.	N/A	N/A	N/A	N/A
Discussion: The TEAM system is the major measurable initiative in which the USPTO has launched a business return study in FY 2001. TEAM is planned for FY 2004 to provide an electronic record as the official legal record of patent application processing. Based on preliminary projections the USPTO will realize a net cost avoidance of $31.2 million over a six year period resulting in a return on investment of 18 percent, and a payback period of five years and five months.				
Measure: Percent of patent applications filed electronically.	N/A	N/A	2	<1
Discussion: Target not met. EFS requires substantial up-front IT investment by the customers. The USPTO is exploring incentives for the customers who file electronically.				
Measure: Percent of annual growth of external customers using USPTO e-Government systems.	N/A	N/A	10	387
Discussion: Target exceeded.				
Measure: Percent of employees relying on USPTO e-Government environment to perform their work.	N/A	N/A	10	86
Discussion: Target exceeded.				

Trademark Goal: Enhance the quality of trademark products and services, transition to e-Government, and optimize trademark processing time.

	FY 1999 Actual	FY 2000 Actual	FY 2001 Target	FY 2001 Actual
Measure: Percent of customers reporting satisfaction with clear written communication.	77	77	77	79
Discussion: Target met.				
Measure: Percent of customers reporting satisfaction with correct information in the TMOG.	74	76	77	71
Discussion: Target not met. The process by which the TMOG is published was greatly enhanced in the last quarter of FY 2001. As a result the TMOG is now available in an "on-line" PDF searchable format directly from our Web site. This enhancement has enabled us to minimize errors. Results should be revealed in the next customer satisfaction survey.				
Measure: Percent of customers satisfied with the office returning phone calls in one day.	59	53	65	55
Discussion: Target not met. All Trademark employees received customer service training in the second half of FY 2001. Emphasis included the importance of returning phone calls, and the timeframe in which we do so. Results of the improvement are expected in the next customer satisfaction survey.				
Measure: Percent of customers satisfied with the delivery of filing receipts. Correct filing receipts mailed in one day for electronic filing.	N/A	100	93	81
Discussion: Target not met. Electronic filing receipts are returned in less than one day. Customers who have not filed electronically responded to the survey.				
Measure: Percent of customers satisfied with the delivery of filing receipts. Correct filing receipts mailed in 14 days for paper filing.	33	27	85	43
Discussion: Target not met. Although we fell short of our target, we improved significantly over FY 2000. As we continue to encourage electronic filing, this measure is expected to decline significantly.				
Measure: Rank in survey results of employee satisfaction as measured against other government agencies.	N/A	N/A	N/A	N/A
Discussion: Government-wide employee satisfaction survey not conducted.				
Measure: Percent of trademark applications filed electronically.	8.3	14.9	30	24
Discussion: Target not met. The number of applications filed electronically continues to climb, even as the number of paper filings drops. Although we failed to reach our goal, economic factors such as those affecting the number of applications filed overall, impacted the results of this measure.				
Measure: Percent customers communicating electronically in all aspects of correspondence.	N/A	N/A	N/A	N/A
Discussion: We have yet to identify an acceptable measure for this goal but continue to encourage electronic communication with our organization, as well as ways of measuring it.				

INTELLECTUAL PROPERTY POLICY AND LEADERSHIP

As the largest IP office in the world, the USPTO is leading efforts to develop and strengthen domestic and international IP protection. The growing importance of IP rights and the globalization of economic activity has led to new cooperative initiatives between the USPTO, international bodies, and other IP offices, including the EPO, the JPO, the European Union's (EU) Office for Harmonization in the Internal Market (OHIM) for trademarks and designs, the World Intellectual Property Organization (WIPO), and the World Trade Organization (WTO). International negotiations, consultations, and information sharing efforts led by USPTO experts are geared to providing more effective and cost-efficient means of protecting the IP rights of U.S. nationals abroad.

The USPTO is responsible for formulating policy on patent, trademark, and copyright issues. The Administrator for External Affairs, with the support of the Office of Legislative and International Affairs, serves as the principal adviser to the Under Secretary and Director on public policy matters related to IP protection. Ongoing activities include:

- Drafting legislative and policy proposals concerning IP matters;
- Promoting the development of multilateral systems for the protection of IP rights;
- Participating in IP consultations; in meetings regarding IP in international organizations, in particular the WIPO and the WTO; and in negotiations on multilateral and bilateral trade agreements;
- Providing technical assistance to developing countries, countries in transition to a market economy and least developed countries; and
- Working with the Office of the U.S. Trade Representative and industry on the annual review of IP protection and enforcement under Section 301 of the Trade Act of 1974 (as amended in 1988).

Other reviews conducted under U.S. laws governing trade benefit programs include the Generalized System of Preferences and the Caribbean Basin Initiative, conducting IP enforcement training for developing countries, and supporting and promoting the creative efforts of America's independent inventors and entrepreneurs.

During FY 2001, the following developments related to USPTO funding and operations were noteworthy:

USPTO Reauthorization and Fees. On July 24, 2001, the House Judiciary Committee approved an amended version of H.R. 2047, "The Patent and Trademark Office Authorization Act of 2002." The bill authorizes USPTO to have access to all fees collected in FY 2002; requires the development of a user-friendly electronic system for filing and processing patent and trademark applications; and requires the development of a five-year strategic plan to enhance quality, reduce pendency, and develop an effective electronic system for use by USPTO and the public for "all aspects of the patent and trademark processes."

USPTO Appropriations. On September 13, 2001, the Senate passed an amended version of H.R. 2500, Commerce-Justice-State Appropriations for FY 2002. The bill would fund USPTO at $1.139 billion, consistent with the President's budget request. The House-passed version would fund USPTO at $1.129 billion, $92 million above FY 2001 and $10 million below the President's request. Senate committee report language requires the Secretary of Commerce to develop and deliver to Congress by

January 15, 2002, a five-year strategic plan for the USPTO. The plan would include information on handling workload, improving patent quality, reducing pendency, and improving training, retention and productivity of examiners. The measure also directs the USPTO to fully implement the "electronic file wrapper" by the end of FY 2004.

USPTO Oversight Hearing. The House Judiciary Subcommittee on Courts, the Internet and Intellectual Property held an oversight hearing on the operations of the USPTO on June 7, 2001. Acting Director Nicholas Godici provided testimony along with representatives of the Intellectual Property Owners Association (IPO), International Trademark Association (INTA) and the Patent Office Professional Association (POPA).

Business Method Patents Hearing. The House Judiciary Subcommittee on Courts, the Internet and Intellectual Property held a hearing on business method patents on April 4, 2001. Acting Director Nicholas Godici provided testimony along with representatives of the American Intellectual Property Law Association, IPO, and Travelocity.com.

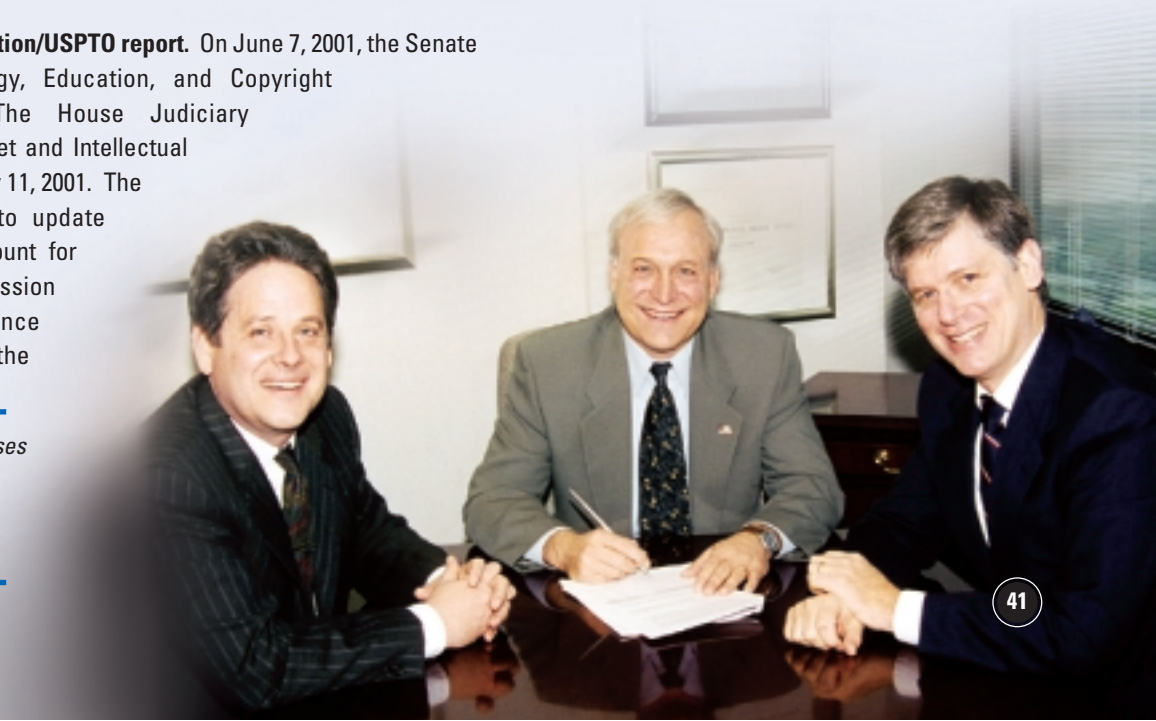
The following key legislation impacting the USPTO also was passed during FY 2001:

Patent Reexamination Legislation. On September 5, 2001, the House of Representatives passed two bills that would revise procedures for the reexamination of patents. H.R. 1866 clarifies that reexamination may be based on a patent or printed publication previously cited by or to USPTO or considered by USPTO. H.R. 1886 provides for appeals to the Court of Appeals for the Federal Circuit by third parties in inter partes reexamination proceedings.

AIPA Technical Amendments. On February 14, 2001, the Senate passed S. 320, the "Intellectual Property and High Technology Technical Amendments Act of 2001." The House passed an amended version of the measure on March 14, 2001. Both bills provide for clerical, technical, and minor substantive changes to the AIPA, as well as trademark and copyright statutes.

Madrid Protocol. The House of Representatives approved H.R. 741, "The Madrid Protocol Implementation Act," on March 14, 2001. The Senate Judiciary Committee approved a companion bill, S. 407, on July 19, 2001. The ratification package is pending in the Senate Foreign Relations Committee. The Protocol would permit U.S. trademark owners to file for trademark registration in any number of member countries by filing with the USPTO a single standardized application, in English, with a single set of fees.

Copyright-Distance Learning Legislation/USPTO report. On June 7, 2001, the Senate approved S. 487, "The Technology, Education, and Copyright Harmonization Act of 2001." The House Judiciary Subcommittee on Courts, the Internet and Intellectual Property passed the measure on July 11, 2001. The bill would amend copyright law to update educational use provisions to account for advancements in digital transmission technologies that support distance learning. It also would require the



Acting Under Secretary Godici, discusses policy issues with Robert Stoll (left) Administrator for External Affairs and James Toupin (right) General Counsel

USPTO to submit a report to Congress (within 180 days of the bill's enactment) describing technological protection systems intended to protect digitized copyrighted works and prevent infringement. The report would not include any recommendations or comparative assessments of those technologies.

The following international activities of IP interest to the USPTO occurred in FY 2001:

Substantive Patent Law Harmonization. In order to reduce the costs for American patent owners to secure IP rights abroad, the USPTO is working with WIPO to harmonize substantive patent law. In FY 2001, the Standing Committee on the Law of Patents, meeting under the auspices of WIPO, began developing treaty articles, rules, and practice guidelines that attempt to harmonize the different substantive requirements associated with obtaining patent protection throughout the world. Upon conclusion, these measures will provide a truly harmonized system governing not only the substantive law of patents but also the practice to implement that law, allowing for uniform treatment of patent applications and patent grants.

Patent Law Treaty (PLT)/Patent Cooperation Treaty (PCT). The USPTO is leading efforts to simplify procedural matters for securing patents abroad through reform of the PCT and implementation of the PLT. The USPTO is preparing the ratification package for the PLT and is drafting the necessary implementing legislation for the treaty. The PLT, signed in June 2001 by 43 WIPO member states including the United States, will enter into force upon ratification by 10 member states. The treaty provides uniform filing requirements and formal procedures among the member countries in order to reduce the high costs of patent protection abroad.

Trilateral Patent Cooperation. Recognizing the need for a standardized approach to the electronic filing of applications, the trilateral offices of the USPTO, EPO, and JPO agreed in FY 2001 on a number of technical issues related to the finalization of a WIPO standard for electronic filing. This standard will allow for future interoperability of software among the trilateral offices for the national/regional phase, as well as for PCT applications. It also will allow Member State Offices and customers the flexibility to choose their own system/software for filing applications.

WIPO Meeting of the Assemblies of Members States. At a September 2001 WIPO Meeting of the Assemblies of Members States, a number of noteworthy IP developments occurred. An important U.S.-sponsored modification to the PCT was approved to simplify the treaty and alleviate a serious workload problem faced by certain International Searching and Preliminary Examining Authorities, including the USPTO. The change extends from 20 to 30 months from the priority date the time limit under Article 22(1) in which applicants must perform certain acts in order to ensure that processing of the international application is commenced by the designated offices in which the application is to proceed. In the area of trademarks, the General Assembly of WIPO adopted a "Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet." This document represents the first international consensus position on a standard approach for determining when a mark used on the Internet has been infringed and what actions might indicate good faith rather than intent to infringe. Additionally, a significant international consensus was achieved regarding the protection of audiovisual performances. For the very first time, a general international agreement exists on the economic and moral rights of performers in their performances in the digital environment.

Trademark Trilateral. In an historic meeting held May 22-23, 2001, the USPTO organized and hosted the first-ever trilateral cooperation meeting with JPO and OHIM. The meeting resulted in a commitment by the three offices to further improve the systemic environment for trademark owners worldwide. Cooperative efforts include standardization of identifications of goods/recitations of services, creation of a Nice Classification-based database of such identifications/recitations, electronic filing and use of the Internet, electronic standards for the display of color marks, and standardized application of the Vienna Classification for figurative elements.

Geographical Indications (GI). The USPTO continues to work to educate U.S government colleagues, foreign governments, and international organizations on the relationship between GI and trademarks. International understanding of the WTO/Trade Related Aspects of Intellectual Property (TRIPs) Agreement's obligations related to GIs and trademarks is critical because U.S. trademarks abroad are being cancelled in favor of foreign "geographic" terms, while U.S. parties with interests in geographical indications (e.g., "IDAHO" for potatoes) are unable to obtain protection in many countries. Accordingly, the USPTO was very active in representing the U.S. government in its dispute-settlement consultations with the EU over GI violations in EU Regulation 2081/92. It also participated in a variety of international fora, including the WTO/TRIPs Council, WIPO's Standing Committee on the Law of Trademarks, Industrial Designs, and Geographical Indications, and the Free Trade Area of the Americas (FTAA) negotiations to increase understanding of GI.

Domain Names. USPTO is an active participant in events affecting domain names, participating in the Government Advisory Committee constituency of the Internet Corporation for Assigned Names and Numbers (ICANN) and preparing formal written comments in response to the Second WIPO Internet Domain Name Process interim report. To ensure that bilateral and multilateral agreements include reference to WHOIS (search-tool)-type databases and Uniform Dispute Resolution Process type procedures within the country-code top-level domains, USPTO crafted relevant language for inclusion in the Singapore and Chile Free Trade Agreements (FTAs) and the Free Trade Agreement of the Americas (FTAA) text. The USPTO also coordinated the Washington, D.C. regional consultation for the Second WIPO Internet Domain Name Process, held at the Department of Commerce on May 29, 2001.

WIPO Copyright Treaties. The USPTO continues to promote the ratification and implementation of the 1996 WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), which are designed to ensure international protection of copyrighted works, performances and sound recordings in the digital environment. The U.S. deposited its instruments of ratification for the treaties in 1999, and 30 ratifications or accessions are necessary for each treaty to enter into force. At the end of FY 2001, 28 countries had ratified/acceded to the WCT and 26 had ratified/acceded to the WPPT.

Hague Convention on Jurisdiction and Foreign Judgments. The USPTO continues to be engaged in the Hague Conference on Private International Law as the conference negotiates a convention on jurisdiction and the recognition and enforcement of foreign judgments in civil and commercial matters. The proposed convention would create jurisdictional rules governing international lawsuits and provide for recognition and enforcement of judgments by the courts of Contracting States in other Contracting States. On October 17, 2000, the USPTO published a Request for Comments seeking views on the impact that the draft of the proposed convention would have on IP-related litigation. A second Request for Comments was published in August 2001. The first session of a Diplomatic Conference on the convention was held in June 2001 in The Hague, Netherlands. However, delegates were unable to decide how to move the negotiations forward, and an agreement was reached to reconvene in early 2002 to decide the scope of future negotiations.

During FY 2001, the USPTO engaged in the following key IP enforcement activities:

National Intellectual Property Law Enforcement Coordination Council (NIPLECC). The USPTO Director serves as co-chair of NIPLECC, which coordinates domestic and international IP law enforcement among federal and foreign entities. The USPTO co-hosted a public NIPLECC meeting in November 2000 at the U.S. Department of Commerce to solicit public comment on the issues to be addressed by the council. Participants included the Business Software Alliance, the Recording Industry Association of America, the Pharmaceutical Researchers and Manufacturers of America, and the International Trademark Association. In January 2001, the USPTO issued a report to Congress on the effort to refine the NIPLECC's mission and to identify areas in which interagency coordination could improve the government's performance in IP law enforcement.

Trade Related Aspects of Intellectual Property Compliance (TRIPS). The USPTO provides technical assistance to developing country WTO Members on implementation of the Agreement on the Trade Related Aspects of Intellectual Property, including thorough review of, and advice on, legislation and seminars and other technical assistance on particular areas of IP. Developing country members had until January 1, 2000, to be in full compliance with their obligations. In FY 2001, the USPTO reviewed the laws of 50 developing country WTO members to prepare questions for the reviews of those countries' implementation of their obligations under TRIPs. The USPTO also participated in four TRIPs council meetings and provided follow-up questions for members under review.

Representatives from nearly 20 countries attended a weeklong training program on intellectual property training last year at the USPTO.

IP Enforcement Training. In FY 2001, the USPTO was engaged on a number of fronts to strengthen IP administration and enforcement abroad. The USPTO developed a number of country-specific, interagency enforcement training initiatives and administered these programs worldwide. During FY 2001, the USPTO cosponsored with the U.N. Economic Commission for Europe's IP Advisory Group an IP and Internet enforcement program for government and private sector participants from Europe. It sponsored or cosponsored over a half-dozen enforcement programs for government officials from Asia, Eastern Europe, the Americas and Africa and took the lead in developing country-specific interagency enforcement training initiatives for China, Taiwan, Mexico, Oman, Croatia, Russia, and Vietnam. The USPTO, in cooperation with WIPO, also continues to offer its twice-annual IP Enforcement Program to government officials from around the world.

Visiting Scholars Program. For more than 15 years, USPTO's Visiting Scholars Program has provided representatives from IP offices around the world with a better understanding of the critical role IP protection plays in economic development. In FY 2001, 68 participants from 26 countries were provided two weeks of classroom and hands-on study during the sessions in October 2000 and June 2001. The programs focused on U.S. patent, trademark, and copyright law and examination issues, including topics such as computer software patents, biotechnology, and geographical indications.

The USPTO Visiting Scholars Program drew representatives from more than 20 countries last year.

FINANCIAL DISCUSSION AND ANALYSIS

SUPPORTING BUSINESS LINE ACTIVITIES THROUGH INNOVATIVE FINANCIAL MANAGEMENT

Achieving the most efficient service and products, with the best quality at the least costs, requires planning and decision-making based on timely and accurate financial information. Front line managers depend on information and data analysis to evaluate program strengths and weaknesses. Preparation of financial statements is part of the USPTO's overall goals to improve financial management and to provide accurate and reliable information that is useful in assessing performance and allocating resources. The USPTO's financial statements, audited by the independent accounting firm of Ernst & Young LLP, appear immediately following this discussion and analysis, and for the ninth consecutive year the USPTO was issued an unqualified audit opinion. The CFO/CAO organization's value does not end with the preparation of financial statements. There are several areas where improved financial advice and analyses assist in this evaluation by addressing market challenges. Effective cost and fee management can be maintained in a changing market environment by achieving efficiencies in supply, understanding how costs and fees relate, and implementing automated processes that make important information more readily available for decision-making.

Applying Traditional Business Practices Within Federal Government Parameters

A challenge of any business is to set prices and control costs to maximize goal achievement. The USPTO faces additional challenges to apply traditional financial management within a framework of federal legislation. Legislation largely defines the agency's mission and ultimately shapes how goals are achieved. Legislation also is the driver of the budget process, where businesses normally plan pricing strategies and prepare cost estimates. While the USPTO is a market-driven agency, the federal budget process makes swift market reaction very difficult. Federal budgets are required to be planned 18 months in advance, are set by Congress within definite budgeting periods, and cannot be increased based on changing costs or requirements driven by market indicators and trends. Therefore, business practices developed to meet private sector financial goals cannot always be applied to the USPTO, creating a need for innovative financial management.

In setting prices, or patent and trademark fees, the USPTO strives to accomplish the objective stated in the AIPA, which is to encourage maximum participation by the inventor community. In addition, appropriation language dictates that the USPTO is to be funded by customer fees. A dollar cannot be spent until a dollar has been collected in fees. Therefore, it is important to maximize participation in the patent system. For example, we charge a smaller fee to price-sensitive customers (small entities) and a larger fee to customers that are not as price-sensitive (large entities). While this pricing strategy is not normally used in the business community as a tool to maximize profit when the quality and complexity of service provided is consistent among customers, it is justified in a government organization.

The USPTO also achieves this maximum participation objective by deferring the payment of a large portion of fees until after a customer has a chance to receive value from the patent received. Initial fees are set low. This pricing strategy makes patent protection more affordable for the customer. Patent maintenance fees to continue protection are set higher and collected at predetermined time intervals. However, if the customer decides it is not prudent to continue protection, they are not required to pay the additional fees. This is a form of product guarantee that significantly reduces the risk to the customer, again encouraging maximum participation.

Patent applications are rising with no sign of slowing. In addition, patent applications are becoming increasingly complex, especially in the biotechnology and computer-related arts. This added complexity results in a need for even more supply efficiencies to meet demand. In previous years, trademark applications also rose at a high annual rate. In FY 2001, trademark applications dropped, consistent with the declining economy. No increases in trademark application filings are expected until FY 2003.

Tracking large swings in demand with supply is a difficult task. It requires innovative personnel resource management and a new look at existing processes and the existing fee structure. Operating under the federal government pay schedule makes retention of highly skilled professionals a major concern. The USPTO is trying new initiatives, such as the work-at-home program and more competitive pay scales to attract and retain patent examiners; however, it must continue to look for creative ways to meet demand instead of simply increasing manpower. While examining the management of processes and leveraging technology, the USPTO also looks at pricing strategies to manage the demand for patent services and to achieve specified goals of quality and timeliness.

Measuring the Financial Life Cycle of a Patent and a Trademark

While the USPTO operates within legislative guidelines, it also operates within parameters set in federal regulations. The Office of Management and Budget (OMB) requires full cost reimbursement for all goods and services provided to the public. To determine fees that need to be charged to achieve full cost reimbursement in the aggregate and over the life of patents and trademarks, the USPTO uses complex projection models. These models weigh variables such as the expected ratio of small to large entity applications, the expected ratio of different product types, and the percentages of customers wishing to continue protection at various time intervals. The use of so many unknowns in fee analyses creates uncertainty regarding the adequacy of fees to cover costs. Understanding how costs and fees relate plays a large part in addressing workload concerns. Once this relationship is determined, the best fee schedule can be proposed to meet program needs.

The AIPA requires a study of alternative fee structures and the Chief Financial Officers Act of 1990 and OMB Circular A-25 require a review of fees biennially. The USPTO intends to use innovative fee changes to improve workload adjustments. In addition, fee structure changes could directly contribute to workload adjustments, including providing customer incentives for electronic submissions and reduced application complexity, which would result in more streamlined business processes. Ultimately, a fee structure that tightly links costs and fees will allow the USPTO to perform more like a business. This linkage will better ensure that fees cover costs over the financial life cycle, better plan and budget, and better respond to stakeholder questions and concerns. However, in looking at fees, the USPTO must always keep in mind the objective to maximize participation as well as the ultimate impact on the inventor community and the economy in general.

During FY 2001, the USPTO made outstanding strides towards linking costs associated with each patent fee that is currently charged. A complex activity-based cost accounting model has been in place for several years. It analyzes all the costs incurred in various processes and activities. FY 2001 efforts went a step further, tying costs to fees by determining the processes (costs) contributing to each service provided (fee). The USPTO has begun steps to take this analysis even further by comparing the fee streams to the cost streams for the life cycle of an average patent. We also will do the same analysis for an average trademark. These next steps require careful integration of production and performance data with financial data and will ultimately have far-reaching benefits beyond the fee analysis in process.

Promoting e-Government

The USPTO Revenue Accounting and Management (RAM) system, awarded a government agency award for excellence by the Post Newsweek Tech Media Group, publisher of Government Computer News and Washington Technology, is the mission-critical, financial management system that provides subsidiary accounting for fee revenue and deposit accounts. Recognizing the emergence of e-Government, the original RAM system evolved to incorporate contemporary Web technology that has increased its usefulness for patent and trademark customers worldwide. In support of first-line managers' e-Government goals, RAM was designed with the forethought of a generic storefront interface to allow for efficient and effective integration of processes and to allow thousands of financial transactions to be automatically entered and processed without manual intervention. RAM has integrated patent and trademark e-Government applications for rapid collection of fees over the Internet. RAM uses Secure Socket Layer technology and real time credit card authorization, making an efficient user/system interaction. The RAM e-Government capabilities offer a 24/7 mechanism to conduct patent and trademark business with instantaneous payment capabilities using electronic funds transfer (EFT) or credit card payments. The initiation of "anytime, anywhere" capabilities unquestionably has improved customer service and relations. Customers may pay electronically for trademark applications, patent applications, and patent copies; replenish, charge and obtain balances for deposit accounts; and identify the payment window and pay patent maintenance fees.

With information technology evolving to a distributed environment requiring greater user flexibility, the USPTO began replacing its legacy mainframe core accounting system with an updated scalable, Web-enabled, financial management system. The latest technology of this new system will put the agency on a path for future enhancements and e-Government initiatives allowing efficient and effective integration with other e-Government solutions, such as e-procurement. The new system also integrates processing financial transactions with normal business processes by allowing the creation of electronic folders, routing documents for review and approval and attaching scanned images for electronic filing. While the current core accounting system provides complete and reliable financial and cost information as well as significant electronic transaction processing, this new system will provide this data to USPTO businesses routinely. This will allow first-line managers the opportunity to make more effective, timely, and efficient strategic business decisions.

The new system also will contain flexible reporting tools to meet the challenging new federal financial reporting requirements. In FY 2001, OMB issued Bulletin No. 01-09, promulgating new financial statement form and content guidance. This guidance makes significant strides in addressing issues regarding the usefulness of financial information arising from lack of timeliness. Accelerated reporting and interim reporting are major areas of focus. Annual reporting deadlines are initially shortened by almost a month with plans to accelerate deadlines even more. Interim reporting is required semi-annually initially, followed shortly by a quarterly reporting requirement. Automation is a critical component of the solution to full compliance with this new guidance.

Innovations in the areas of supply efficiencies, fee-setting, and e-Government will help the USPTO achieve a more businesslike environment, where a fee model and a supply plan are in place that are flexible enough to respond to market changes and systems to better manage resources. The better the USPTO understands its business needs – how to set prices and control costs to maximize achievement of the organization's goals – the better it can express these needs to federal regulators and stakeholders to effect change.

RESULTS OF OPERATIONS

Net Income/Loss

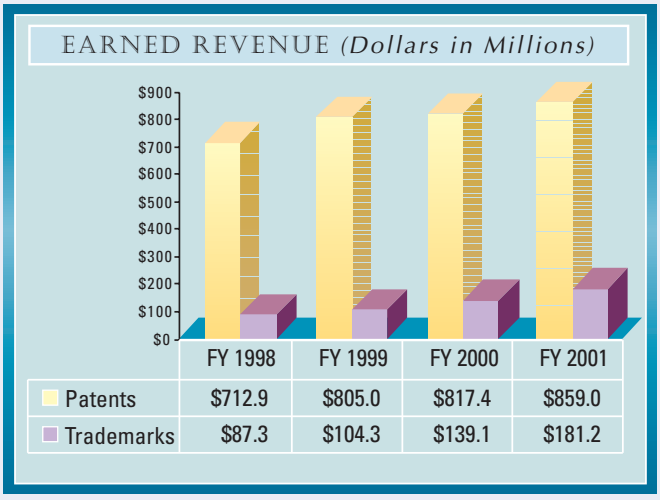
FY 2001 generated $23.6 million in net income, a 47.8 percent decrease from FY 2000 net income of $45.2 million. Since net income is a picture of fees earned compared to costs incurred during a specific period of time, it is not necessarily an indicator of net income or net loss over the life of a patent or trademark. The net income calculation is based on fees earned during the FY being reported, regardless of when the fees were collected. Maintenance fees play a large part in whether net income or net loss is recorded for the patent business line. Maintenance fees collected in FY 2001 are a reflection of production levels 3.5, 7.5, and 11.5 FYs ago rather than a reflection of productivity levels in FY 2001. Therefore, maintenance fees can have a significant impact on matching costs and revenue. Also, the net income calculation looks at groups of work that begin and end the FY in various phases of their life cycle. Net income for the FY is dependent upon the phase work has gone through.

After several years of net income, the patent business line experienced a net loss of $23.5 million in FY 2001. This loss on work processed begins to normalize earned revenues and costs over the life cycle of patents to better approximate a $0 net income. Part of this normalization is due to improving our deferred revenue estimate to more closely link deferred revenue to total application inventory, resulting in an additional $21.9 million of revenue deferred in FY 2001. Since increases in revenue deferred reduce net income, this change contributed greatly to the patent business line's net loss.

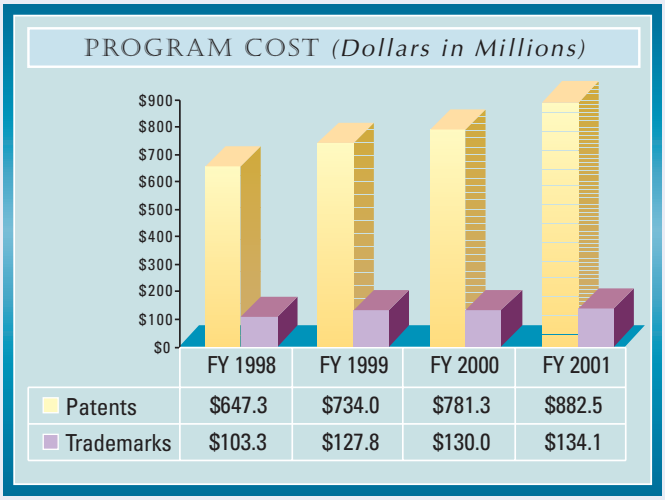
The trademark business line incurred a net income of $47.1 million in FY 2001 by completing large volumes of work to fulfill orders received in prior years. Trademark's operations were able to address their backlog because of a temporary decline in new applications submitted during FY 2001 and an 11.4 percent increase in staff.

Components of Net Income/Loss

The following charts depict the USPTO's financial operations for the past four FYs. There have been gradual increases in both revenues and costs, indicating steady growth.



	FY 1998	FY 1999	FY 2000	FY 2001
Patents	$712.9	$805.0	$817.4	$859.0
Trademarks	$87.3	$104.3	$139.1	$181.2

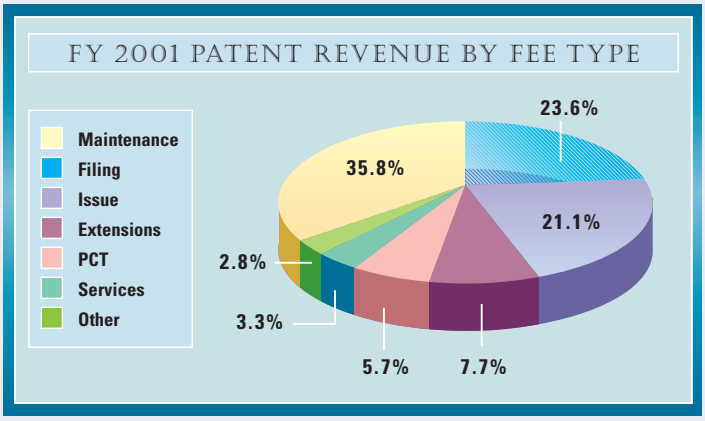


	FY 1998	FY 1999	FY 2000	FY 2001
Patents	$647.3	$734.0	$781.3	$882.5
Trademarks	$103.3	$127.8	$130.0	$134.1

Earned Revenue

Earned revenue totaled $1,040.2 million for the year ended September 30, 2001, an 8.8 percent increase over FY 2000 earned revenue of $956.5 million. Of fees earned during FY 2001, $258.9 million related to revenue deferred in prior FYs, $307.5 million related to maintenance fees collected during FY 2001, which are immediately considered earned, and $473.8 million related to work performed on fees collected during FY 2001.

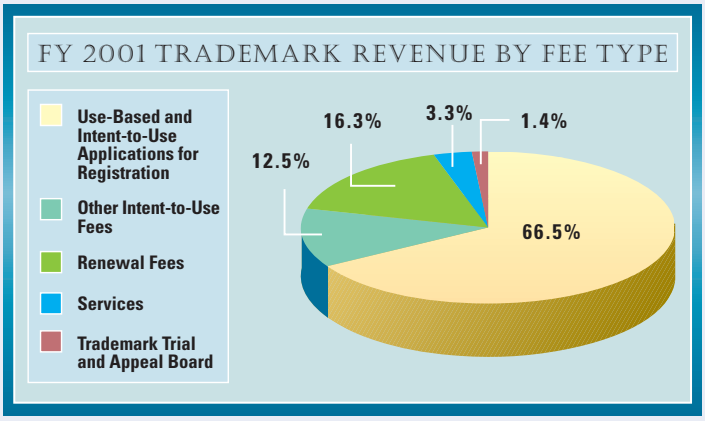
Patent business operations earned $859.0 million for FY 2001, a 5.1 percent increase over $817.4 million in FY 2000. Revenue is earned at the current fee rate. Filing, issue, and maintenance fees were raised slightly at the beginning of FY 2001, accounting for the small increase in revenue.



Patent maintenance fees have traditionally been the largest category of patent fees. Therefore, fluctuations in rates of renewal can significantly affect patent revenue. However, there can be no assurance that the USPTO will be able to sustain or improve upon historic or current renewal rates in future years. Rates of renewal continued to slowly climb in FY 2001.

PATENT RENEWAL RATES	FY 1998	FY 1999	FY 2000	FY 2001
First Stage (end of 3rd year after patent is issued)	81.8%	83.1%	84.3%	84.5%
Second Stage (end of 7th year after patent is issued)	56.6%	57.9%	59.4%	59.9%
Third Stage (end of 11th year after patent is issued)	36.1%	37.7%	38.8%	39.1%

Trademark business operations earned $181.2 million for FY 2001, a 30.3 percent increase from $139.1 million in FY 2000. This increase is due to earning revenue deferred in prior years that relates to the large amount of prior year workload that was completed during FY 2001. This drastically reduced the amount of trademark work outstanding.



The USPTO charges a single fee for the registration of both use-based and intent-to-use applications. Then, another fee is charged for intent-to-use applications because these applications require additional disclosures for trademark examiner review.

Trademark renewals are only required if continued protection is requested. To some extent, renewals subsidize costs incurred during the initial registration process. The large increase in the rate of renewals in FY 2000 was due to a new requirement to pay a renewal fee every 10 rather than every 20 years.

TRADEMARK RENEWAL RATES	FY 1998	FY 1999	FY 2000	FY 2001
Renewals: Every 20th year for trademarks registered prior to FY 1999 and every 10th year for trademarks registered FY 1999 and thereafter.	9.7%	9.6%	19.2%	21.2%

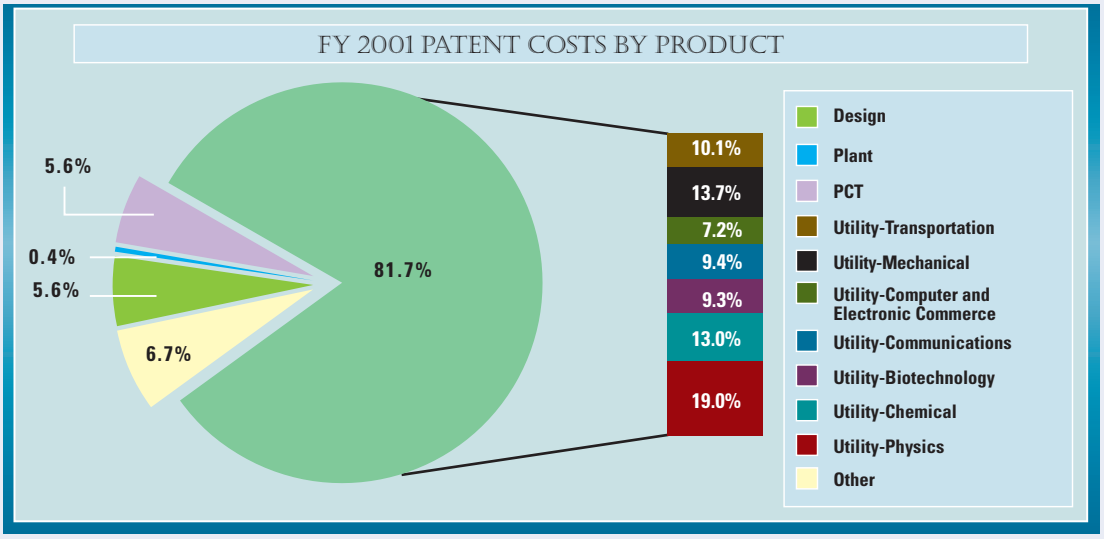
Program Cost

Program costs totaled $1,016.6 million for the year ended September 30, 2001, an 11.6 percent increase over FY 2000 program costs of $911.3 million. As a service organization, USPTO's production was related directly to personnel examining patent and trademark applications. Accordingly, personnel services and benefits costs directly attributable to the two business lines traditionally represent over one-half of total costs. Any change or fluctuation in staffing or pay rate patterns directly affects the change in total program costs. Total direct personnel services and benefits costs increased 11.9 percent over the FY 2000 amount of $448.5 million, to $501.9 million for FY 2001. This change drove the increase in total program cost and was due to several changes in pay scales.

In addition to the January 2001 federal-wide 3.8 percent increase in the general pay scale, as of June 2001, certain patent examiners and other USPTO employees were switched to a new pay schedule. This pay schedule covered over 3,600 employees and represented approximately another 10 percent increase in pay for over half of the workforce. While compensation per employee increased, hiring freezes and attritions due to a change in appointed positions kept staffing increases low. Without these decreases, personnel services and benefits costs would have increased much more.

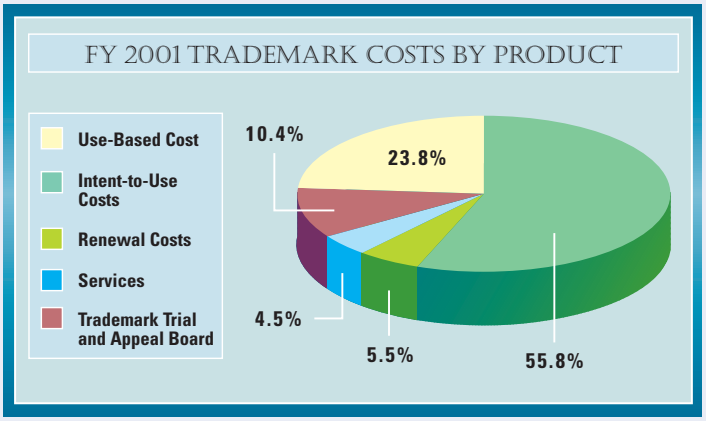
Rent, communications, utilities, contractual services, and depreciation costs traditionally comprise a third of total program costs each year. Contractual services directly attributable to business lines increased 12.7 percent from $104.0 million in FY 2000 to $117.2 million in FY 2001. Increases were incurred largely in the patent business line as a response to increases in demand and a continued move towards automated processes. Increases were incurred in a wide variety of activities, such as a shift to 24/7 PALM support, other increased electronic processing support, increased facilities research services, and increased mail services.

Patent business operations cost $882.5 million for FY 2001, a 13.0 percent increase over the total patent program cost of $781.3 million in FY 2000. Patent costs are spread over four main patent products: utility patents, design patents, plant patents, or PCT. The overall cost percentages presented below are a function of the volume of applications processed in each product area rather than per unit costs. The large majority of applications received are for utility patents, thus utility patents represent the majority of costs. Cost percentages are based on both direct costs and costs allocated to the patent business line.



Trademark business operations cost $134.1 million in FY 2001, a 3.2 percent increase over the total trademark program cost of $130.0 million in FY 2000. While personnel and benefits costs directly attributable to the trademark business increased 15.4 percent, several other cost categories decreased in FY 2001 compared to FY 2000. The most notable reason for the decreases is a refinement in the process used to track information technology costs to customers. This refinement resulted in the trademark business line receiving a smaller portion of information technology costs than in the past, such as depreciation. In addition, in FY 2001, the information dissemination function (IDO) shifted to the information technology function. The information technology costs therefore included IDO costs and the refinement resulted in lower IDO costs for trademarks as well.

Trademark costs are comprised of processing three main products: use based marks, intent-to-use marks, and renewals after registration, which involves processing affidavits, corrections, and amendments. The overall cost percentages presented at right are a function of the volume of applications processed in each product area rather than per unit costs. Cost percentages are based on both direct costs and costs allocated to the trademark business line. The intent to use costs include costs related to examining both the application and the additional intent-to-use disclosures.



FINANCIAL CONDITION

Net Position

Net position was $478.6 million as of September 30, 2001, an increase of $49.1 million over the FY 2000 total of $429.5 million. Net position consists of $233.5 million in revenue withheld, which is segregated as a portion of net position because the Omnibus Budget and Reconciliation Act (OBRA) of 1990, as amended in 1993, restricted its availability. Annual amounts were withheld from FY 1992 through FY 1998, with no additional amounts withheld after FY 1998.

After reducing net position by revenue withheld, cumulative results of operations were $245.1 million as of September 30, 2001, comprising net property and equipment in the amount of $128.6 million and non-cash assets totaling $9.1 million, leaving the remaining interest in the cash and fund balance as $107.4 million.

The $107.4 million interest in cash and the fund balance is calculated on a financial accounting basis and does not reflect the impact of obligations for $218.2 million in unpaid undelivered orders (goods and services ordered, but not yet received) less $1.5 million in receivables that provide budgetary resources. Therefore, after liquidating unpaid undelivered orders and funded liabilities as of September 30, 2001, future funding in the amount of $109.3 million will have to be earned, or surcharge revenue withheld will need to be appropriated, to liquidate unfunded liabilities as of September 30, 2001.

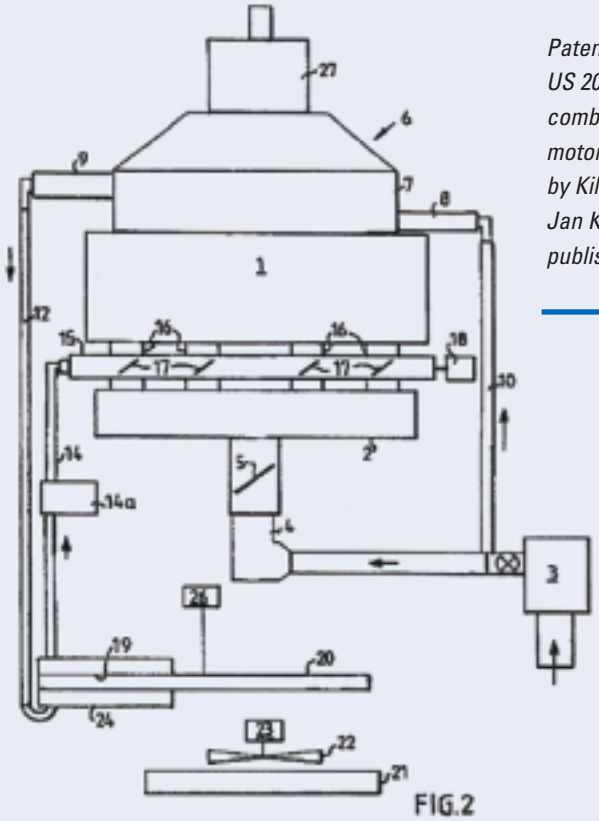


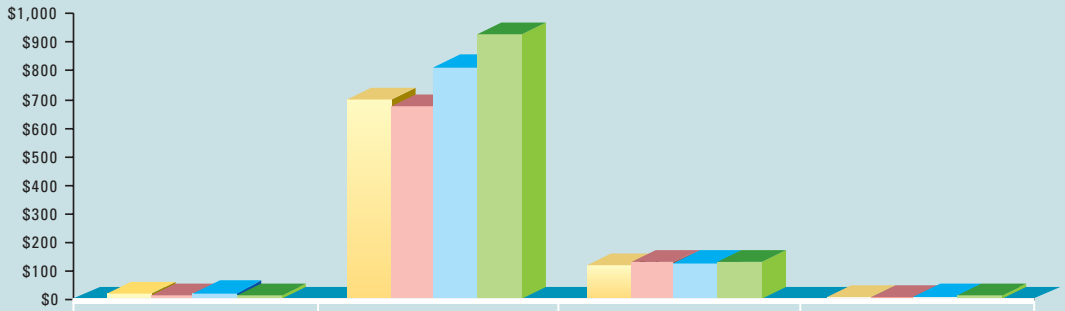
FIG.2

Patent Application Publication No. US 2001/0047790 for an "internal combustion engine installation in a motor vehicle," filed electronically by Kilpatrick Stockton, LLP, for Jan Karlsson of Sweden, and published after 18 months.

Components of Net Position

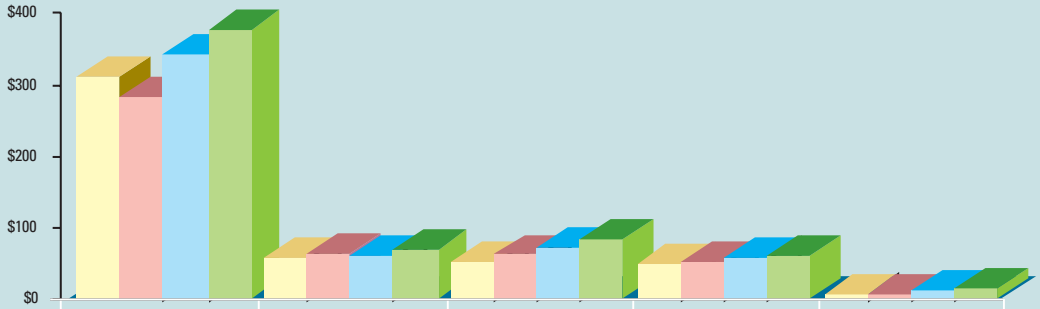
The following charts depict the USPTO's financial condition for the past four FYs. There have been gradual increases in both assets and liabilities, indicating steady growth.

COMPOSITION OF ASSETS *(Dollars in Millions)*



	Cash	Fund Balance with Treasury	Property & Equipment, Net	Accounts Receivable and Prepayments
FY 1998	$16.0	$694.9	$115.2	$4.2
FY 1999	$9.9	$673.9	$129.2	$5.3
FY 2000	$20.0	$810.4	$124.8	$7.3
FY 2001	$11.5	$923.4	$128.6	$9.1

COMPOSITION OF LIABILITIES *(Dollars in Millions)*



	Deferred Revenue	Accounts Payable	Accrued Payroll, Leave and Benefits	Customer Deposit Accounts	Other Liabilities
FY 1998	$307.1	$55.4	$49.6	$46.9	$4.7
FY 1999	$279.4	$59.9	$59.8	$50.2	$4.5
FY 2000	$338.8	$58.8	$69.0	$55.1	$11.3
FY 2001	$375.0	$67.6	$80.8	$57.5	$13.1

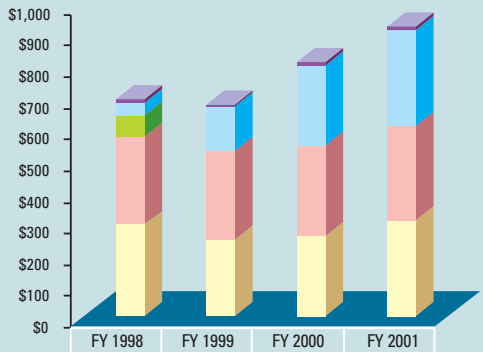
Current Ratio measures the adequacy of resources in terms of current assets per dollar of current liabilities. A current ratio greater than 1.0 normally indicates current assets are sufficient to cover current liabilities. At the USPTO, this ratio must be modified to take into consideration two important factors. The $233.5 million surcharge earned and collected through the enactment of the OBRA is included in current assets but may never be available to the USPTO to cover liabilities. Also, current liabilities do not reflect undelivered orders, which are obligations to pay for future goods or services. To demonstrate the effect of the OBRA surcharge and undelivered orders on liquidity, the current ratio also is presented net of these amounts. While the current ratio is greater than 1.0 when considering the assets and liabilities on the face of the Balance Sheet, it falls below 1.0 when undelivered orders and the surcharge are factored in for each of the four years presented. This indicates that the USPTO does not have enough current assets to cover current liabilities.

FINANCIAL RATIOS	FY 1998	FY 1999	FY 2000	FY 2001
Current Ratio	1.62	1.60	1.66	1.67
Current Ratio, Net of Surcharge and Undelivered Orders	.68	.72	.85	.87

Cash and Fund Balance with Treasury

Cash and Fund balance with Treasury was $934.9 million as of September 30, 2001, a 12.6 percent increase from the FY 2000 balance of $830.4 million. Cash accounts and Fund balance with Treasury do not represent funds available for spending. Of the total $934.9 million as of September 30, 2001, $11.5 million represents cash or checks in transit and $923.4 million represents Fund balance with Treasury. Of the $923.4 million Fund balance with Treasury, $309.6 million is set aside for the payment of existing obligations, $233.5 million continues to be restricted as required by the OBRA, $6.7 million is being held on behalf of the WIPO, and $57.5 million represents funds held on deposit in trust for customers. After considering these amounts, only $316.1 million remains to meet patent and trademark needs. This amount includes $305.1 million that is restricted for use until subsequent FYs, $1.8 million in unobligated funds that were not apportioned for use at the end of FY 2001, and only $9.2 million, or 1.0 percent, available to meet FY 2001 needs.

FUND BALANCE WITH TREASURY *(Dollars in Millions)*

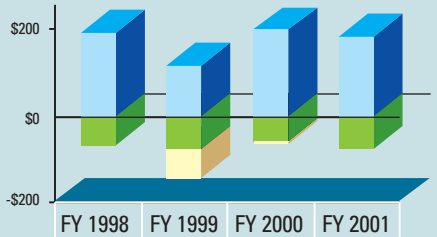


	FY 1998	FY 1999	FY 2000	FY 2001
Unobligated Funds	$14.2	$2.2	$7.9	$11.0
Temporarily Unavailable Funds	$36.4	$142.7	$259.5	$305.1
Reserved for Rescission of Funds	$71.0	-	-	-
Restricted Funds	$280.4	$283.7	$288.6	$297.7
Obligated Funds	$292.9	$245.3	$254.4	$309.6

During FY 2001, the USPTO generated a net of $173.6 million in cash from patent and trademark fees and other operating activities, a decrease of $35.2 million, or 16.9 percent, from the $208.8 million generated during FY 2000.

Of the $173.6 million generated from operating activities during FY 2001, $69.1 million was invested in new property and equipment, principally automation and information technology. This amount represented an increase of $9.8 million, or 16.5 percent, from the $59.3 million of net cash invested in property and equipment during FY 2000. After funding FY 2001 investments in automation and information technology, the net cash provided was $104.5 million. This represented a decrease of 28.7 percent from the $146.5 million in cash provided during FY 2000.

CASH FLOWS *(Dollars in Millions)*



	FY 1998	FY 1999	FY 2000	FY 2001
Financing Activities	-	($72.0)	($3.0)	-
Investing Activities	($68.1)	($77.4)	($59.3)	($69.1)
Operating Activities	$198.3	$122.3	$208.8	$173.6

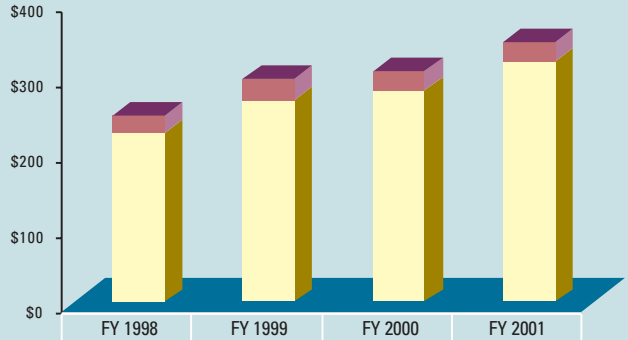
Cash Flow Return on Assets measures operating effectiveness in terms of cash generated from operations per dollar of total assets. Higher cash flow returns reflect greater operating performance. This return can fluctuate greatly as it is largely influenced by Congressional spending limitations on prior year and current year fee collections.

FINANCIAL RATIOS	FY 1998	FY 1999	FY 2000	FY 2001
Cash Flow Return on Assets	24%	15%	22%	16%
Cash Flow Return on Assets, Net of Surcharge	18%	21%	29%	21%

Property and Equipment

Property and equipment net was $128.6 million as of September 30, 2001, representing the original acquisition value of $344.4 million less accumulated depreciation of $215.8 million. Although the net book value increased only $3.8 million, or 3.0 percent, from the FY 2000 net balance of $124.8 million, total acquisition value of property and equipment increased $38.5 million, or 12.6 percent, over the FY 2000 balance of $305.9 million.

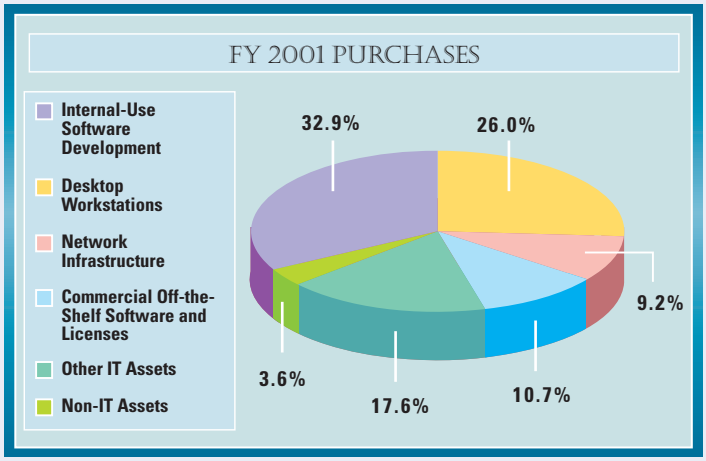
PROPERTY AND EQUIPMENT ACQUISITION VALUES *(Dollars in Millions)*



	FY 1998	FY 1999	FY 2000	FY 2001
Other Assets	$25.3	$26.9	$25.8	$25.1
Information Technology Assets	$223.2	$268.1	$280.1	$319.3

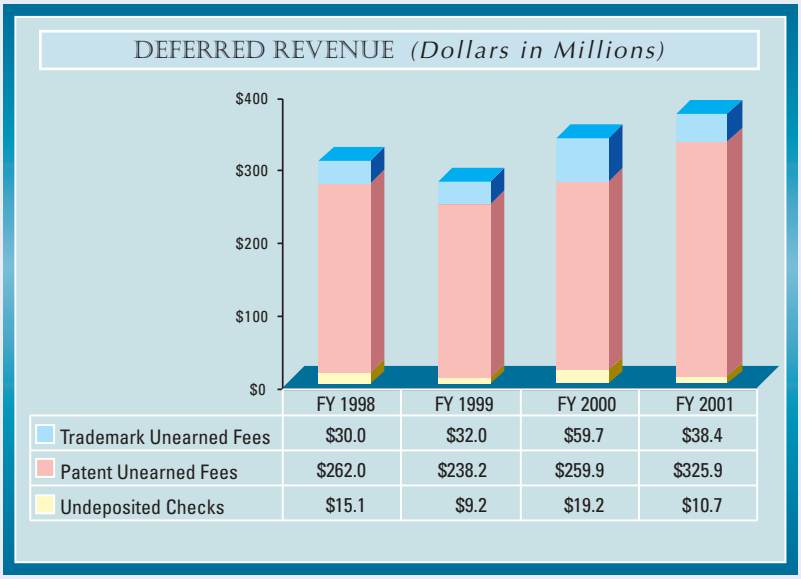
The $38.5 million increase is composed of $69.1 million in assets purchased during the FY and $30.6 million in assets disposed in the normal asset life cycle process.

As indicated to the right, IT assets continue to represent the vast majority of USPTO property and equipment acquisitions. The USPTO continues to make significant investments in development of internal-use software systems in the form of new modules and enhancements. These systems include examination workflow systems, automated search tools; on-line file submission and payment systems; application scanning tools; application tracking systems; customer inquiry systems; order fulfillment systems; and various systems to assist in agency administration and management. Major development efforts in FY 2001 included the following:



- Updating various systems to comply with the new legislation governing pre-grant publication of patents and the patent term adjustment requirements of the AIPA.
- Enhancing functionality in PALM and PCT Operations Workflow Electronics Review (POWER), the USPTO national and international patent workflow tracking and status reporting systems, respectively, to facilitate reengineered patent processes and implement electronic commerce initiatives. Specifically, there were continued efforts on migrating the legacy, mainframe-based PALM system to a modern open system architecture. This included preparing for the migration of the final PALM subsystem – Exam/Post-Exam. The new open system architecture will make future modification and enhancement initiatives less difficult and costly.
- Adding RAM functionality to allow EFT and additional credit card payments over the Internet.

The IT infrastructure continues to be improved to ensure employees have the necessary equipment to perform at the highest levels. The USPTO has begun the replacement of the agency network, PTOnet, to ensure a faster, more robust, and secure computing environment. The replacement of desktop workstations with state-of-the-art equipment and reliable network service also has started.



	FY 1998	FY 1999	FY 2000	FY 2001
Trademark Unearned Fees	$30.0	$32.0	$59.7	$38.4
Patent Unearned Fees	$262.0	$238.2	$259.9	$325.9
Undeposited Checks	$15.1	$9.2	$19.2	$10.7

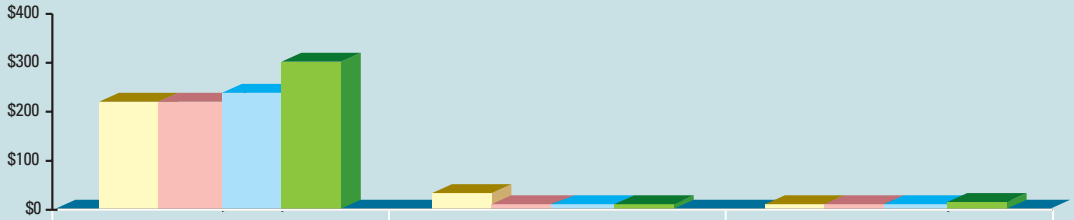
Deferred Revenue

Deferred revenue was $375.0 million as of September 30, 2001, an increase of $36.2 million, or 10.7 percent over the FY 2000 balance of $338.8 million. The USPTO defers the recognition of income for fees collected for services that have not been provided yet. The deferred revenue liability includes undeposited checks as of the end of FY 2001, unearned patent fees, and unearned trademark fees.

The undeposited checks component of deferred revenue decreased 44.3 percent from $19.2 million at the end of FY 2000 to $10.7 million at the end of FY 2001. FY 2000 undeposited checks were larger than normal due to a significant fee increase on October 1, 2000. When fees increase, customers traditionally file applications and pay maintenance fees in September to obtain "mail dates" prior to the fee increase set for October 1. The FY 2001 undeposited checks amount is more consistent with normal trends in check collections.

Unearned patent fees at the end of FY 2001 increased $66.0 million, or 25.4 percent, over the prior year, due to an increase of over 10 percent in patent application filings during FY 2001 and due to an improvement in the methodology used to estimate deferred revenue. Of the $66.0 million increase, $21.9 million is a result of this change.

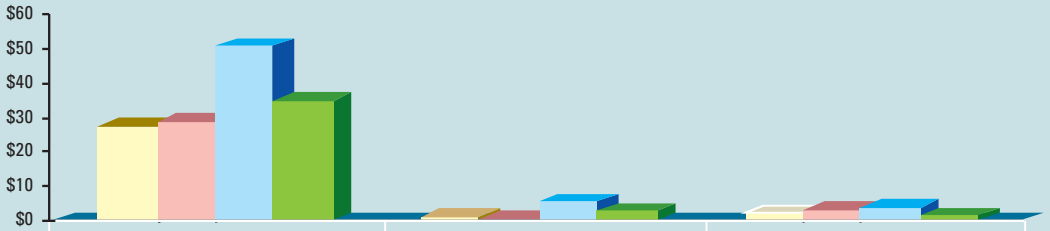
UNEARNED PATENT FEES *(Dollars in Millions)*



	Filing	Issue	Other
FY 1998	$218.5	$33.9	$9.6
FY 1999	$216.7	$10.6	$10.9
FY 2000	$238.3	$10.7	$10.9
FY 2001	$304.3	$7.6	$14.0

Unearned trademark fees decreased $21.3 million, or 35.7 percent, from the prior FY. The large decrease is due to a decrease of more than 20 percent in trademark application filings during FY 2001, coupled with an increase in production. The $21.3 million decrease was lessened by an improvement in the methodology used to estimate deferred revenue. Without this change, there would have been an additional $6.2 million decrease in trademark unearned fees.

UNEARNED TRADEMARK FEES *(Dollars in Millions)*



	Application	Renewal	Other
FY 1998	$27.4	$0.7	$1.9
FY 1999	$28.8	$0.2	$3.0
FY 2000	$50.6	$5.4	$3.7
FY 2001	$34.6	$2.7	$1.1

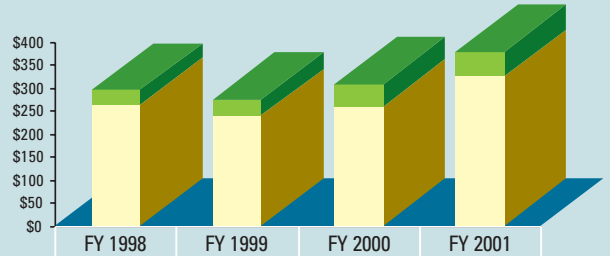
BUDGETARY RESOURCES AND REQUIREMENTS

Budgetary resources available for spending totaled $1,049.8 million for FY 2001, a 16.3 percent increase over the FY 2000 total of $903.0 million. The USPTO is a financially self-sufficient federal government agency that funds the cost of its operations from user fees rather than appropriations from taxes paid into the general fund of the U.S. Department of the Treasury. Major fees are set by statute and activity-based cost accounting techniques assist in approximating fee amounts necessary to recover the costs of our non-statutory fees. The USPTO is continually refining these cost accounting techniques and taking its fee analyses further to improve upon its assessment of fee requirements. As a government agency, the USPTO's goal is to realize budgetary resources provided through the collection of user fees that are equal to budgetary spending incurred to fill customer orders, as opposed to generating net income.

Temporarily unavailable fee collections occur when the Congress does not allow the USPTO to spend all fees collected during FY 2001. In FY 2001, the USPTO was appropriated $254.9 million from fees collected in FYs 1999 and 2000, leaving only $4.6 million in FY 2000 fees still not available for spending. The USPTO also was appropriated $783.8 million for fees collected during FY 2001. However, during FY 2001, it collected an additional $300.5 million that was not available for spending. Of the $4.6 million and $300.5 million not available for spending in FY 2001, $282.3 million will be appropriated for spending in FY 2002. The USPTO does not know when the remaining $22.8 million from FY 2001 fees will be appropriated.

Although no fees were rescinded during FY 2001, rescissions have reduced a sizeable portion of the fee resources in the past. These amounts were withheld in the annual congressional appropriations process for other government programs. Though Congress removed these amounts from USPTO funding permanently, it was still required to incur the cost to process the applications for which the fee amounts were paid, and conduct business as usual, using funds received from other applications.

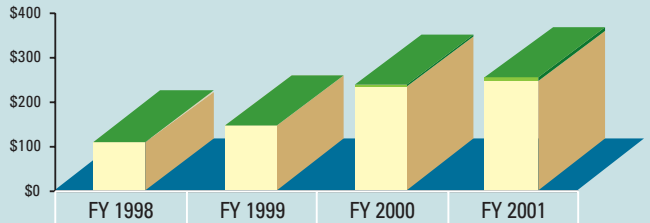
PATENT RESOURCE REQUIREMENTS *(Dollars in Millions)*



	FY 1998	FY 1999	FY 2000	FY 2001
Unfunded Liabilities	$32.4	$34.9	$46.1	$53.3
Unearned Fees	$262.0	$238.2	$259.9	$325.9

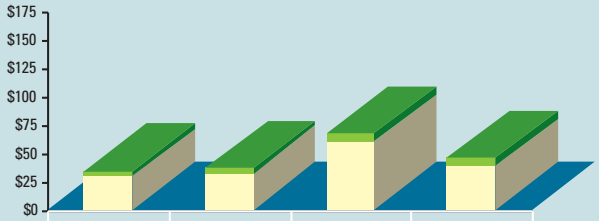
The charts at right show the resources required to meet financial duties compared to the resources available for this purpose. Unfunded liabilities related to earned fee collections, as well as a liability for work to be performed on unearned fee collections, are a measure of commitment to vendors and customers for services the USPTO has already received and orders it has already taken.

PATENT RESOURCE AVAILABILITY *(Dollars in Millions)*



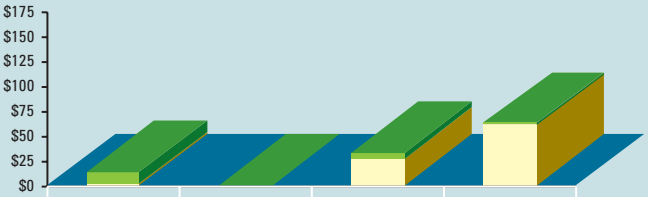
	FY 1998	FY 1999	FY 2000	FY 2001
Unobligated	$3.4	$1.4	$3.2	$9.4
Temporarily Unavailable	$104.7	$142.7	$231.7	$244.2

TRADEMARK RESOURCE REQUIREMENTS *(Dollars in Millions)*



	FY 1998	FY 1999	FY 2000	FY 2001
Unfunded Liabilities	$3.8	$4.7	$7.0	$7.8
Unearned Fees	$30.0	$32.0	$59.7	$38.4

TRADEMARK RESOURCE AVAILABILITY *(Dollars in Millions)*



	FY 1998	FY 1999	FY 2000	FY 2001
Unobligated	$10.8	$0.8	$4.7	$1.6
Temporarily Unavailable	$2.7	-	$27.8	$60.9

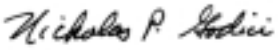
COMPLIANCE WITH LEGAL AND REGULATORY FINANCIAL REQUIREMENTS

This section provides information on the USPTO's compliance with the following legislative mandates:

- Federal Managers' Financial Integrity Act (FMFIA).
- Inspector General (IG) Act Amendments.
- Federal Financial Management Improvement Act (FFMIA).
- OMB Financial Management Indicators.
- Prompt Payment Act.
- Civil Monetary Penalty Act.
- Debt Collection Improvement Act.
- Biennial Review of Fees.

Federal Managers' Financial Integrity Act

On the basis of the USPTO's comprehensive management control program, I am pleased to certify, with reasonable assurance, that USPTO's systems of accounting and internal control are in compliance with the internal control objectives in OMB's Bulletin Number 98-08, as amended. Our agency's systems of management control, taken as a whole, comply with section 2 of the Federal Managers' Financial Integrity Act of 1982. Our agency also is in substantial compliance with applicable federal accounting standards and the U.S. General Ledger at the transaction level and with federal financial system requirements. Accordingly, our agency fully complies with Section 4 of the Federal Managers' Financial Integrity Act of 1982.



Nicholas P. Godici
Acting Under Secretary of Commerce for Intellectual Property and
Acting Director of the United States Patent and Trademark Office

FMFIA requires federal agencies to annually provide a statement of assurance regarding management controls and financial systems. The above statement of assurance was based on the review and consideration of a wide variety of evaluations, internal analyses, reconciliations, reports, and other information, including Department of Commerce (DOC) Office of Inspector General audits, and independent public accountant's opinion on USPTO financial statements and reports on internal control and compliance with laws and regulations.

Inspector General Act Amendments

Section 106 of the IG Act Amendments (Pub. L. 100-504) of The Inspector General Act (as amended) requires semiannual reporting on IG audits and related activities as well as agency follow-up. The report is required to provide information on the overall progress on audit follow-up and internal management controls, statistics for audit reports with disallowed costs, and statistics on audit report with funds put to better use. The USPTO did not have audit reports with disallowed costs or funds put to better use.

The USPTO's follow-up actions on audit findings and recommendations are essential to improving the effectiveness and efficiency of our programs and operations. For FY 2001, management completed action on all outstanding recommendations on reports issued in FY 2000 and prior to FY 2000. In addition, action was taken to close six recommendations contained in two audit reports issued in FY 2001. These two audit reports still have three recommendations remaining open. Actions are under way to close these three recommendations during FY 2002.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) requires federal agencies to report on agency substantial compliance with federal financial management system requirements, federal accounting standards, and the U.S. Government Standard General Ledger. The USPTO complied substantially with the FFMIA for FY 2001.

OMB Financial Management Indicators

The OMB prescribes the use of quantitative indicators to monitor improvements in financial management. The USPTO tracks other financial performance measures as well. The table below shows the USPTO's performance during FY 2001 against performance targets established internally and by the OMB:

FINANCIAL PERFORMANCE MEASURE	FY 2001 Target	FY 2001 Performance
Percentage of Timely Vendor Payments	95%	99%
Percentage of Payroll by Electronic Transfer	90%	98%
Percentage of Treasury Agency Locations Fully Reconciled	95%	100%
Timely Posting of Inter-Agency Charges	30 days	29 days
Timely Reports to Central Agencies	95%	100%
Average Processing Time for Travel Payments	30 days	7.8 days
Audit Opinion on FY 2001 Financial Statements	Unqualified	Unqualified
Material Weaknesses Reported for FY 2001	None	None

Prompt Payment Act

The Prompt Payment Act requires federal agencies to report on their efforts to make timely payments to vendors, including interest penalties for late payments. In FY 2001, the USPTO did not pay interest penalties on 99.1 percent of our 11,943 vendor invoices, representing payments of approximately $279.4 million. Of the 220 invoices that were not processed in a timely manner, the USPTO was required to pay interest penalties on 104 invoices, and was not required to pay interest penalties on 116 invoices, where the interest was calculated at less than $1. The USPTO paid only $12 in interest penalties for every million dollars disbursed in FY 2001. Virtually all recurring payments were processed by EFT in accordance with the EFT provisions of the Debt Collection Improvement Act of 1996.

Civil Monetary Penalty Act

There were no civil monetary penalties assessed by the USPTO during FY 2001.

Debt Collection Improvement Act

The Debt Collection Improvement Act prescribes standards for the administrative collection, compromise, suspension, and termination of federal agency collection actions, and referral to the proper agency for litigation. Although the Act has no material effect on the USPTO since it operates with minimal delinquent debt, the organization transferred all debt more than 180 days old to Treasury for cross-servicing.

Biennial Review of Fees

The Chief Financial Officers Act of 1990 requires a biennial review of agency fees, rents, and other charges imposed for services and things of value it provides to specific beneficiaries as opposed to the American public in general. The objective of the reviews is to identify such activities and to begin charging fees, where permitted by law, and to periodically adjust existing fees to reflect current costs or market value so as to minimize general taxpayer subsidy of specialized services or things of value (such as rights or privileges) provided directly to identifiable non-federal beneficiaries. The USPTO is a fully fee-funded agency without subsidy of general taxpayer revenue. For non-legislative fees, it uses activity-based cost accounting to evaluate the costs of activities and determine if fees are set appropriately. When necessary, fees are adjusted to be consistent with the program and with the legislative requirement to recover full cost of the goods or services provided to the public.

LIMITATIONS

The USPTO has prepared its FY 2001 financial statements in accordance with the requirements of OMB Bulletin Number 97-01, as amended, Form and Content of Agency Financial Statements, and supplementary guidance provided by the DOC. OMB Bulletin Number 97-01, as amended, incorporates the concepts and standards contained in the Statements of Federal Financial Accounting Concepts and the Statements of Federal Financial Accounting Standards (SFFAS) recommended by the Federal Accounting Standards Advisory Board (FASAB) and approved by the Secretary of the Treasury, the Director of the OMB, and the Comptroller General. On October 19, 1999, the American Institute of Certified Public Accountants Council

designated the FASAB as the accounting standards-setting body for federal government entities. Therefore, the SFFAS constitute accounting principles generally accepted in the United States (GAAP) for the federal government. These concepts and standards have been set by FASAB to help federal agencies comply with the requirements of the Chief Financial Officers Act of 1990 as amended by the Government Management and Reform Act of 1994. These two acts demand greater financial accountability from federal agencies and require the integration of accounting, financial management, and cost accounting systems.

The financial data in this report and the financial statements that follow have been prepared from the accounting records of the USPTO in conformity with accounting principles generally accepted in the United States. USPTO financial statements consist of the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, the Statement of Budgetary Resources, the Statement of Financing, and the Statement of Cash Flows. The following limitations apply to the preparation of the financial statements:

- The financial statements were prepared to report the USPTO's financial position, net cost of operations, budgetary resources, and cash flows pursuant to the requirements of 31 U.S.C. 3515 (b).
- While the statements are prepared from books and records in accordance with the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.
- The statements should be read with the realization that the USPTO is a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

In addition, certain information contained in this discussion and analysis and in other parts of this report may be deemed forward-looking statements regarding events and financial trends that may affect future operating results and financial positions. Such statements may be identified by words such as "estimate," "project," "plan," "intend," "believe," "expect," "anticipate," or variations or negatives thereof, or by similar or comparable words or phrases. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. Such risks and uncertainties include, but are not limited to, the following: changes in U.S. or international IP laws; changes in U.S. or global economic conditions; the availability, hiring and retention of qualified staff employees; management of patent and trademark growth; government regulations; disputes with labor organizations; and deployment of new technologies. The USPTO undertakes no obligation to publicly update these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

MANAGEMENT RESPONSIBILITIES

USPTO management is responsible for the fair presentation of information contained in the principal financial statements, in conformity with accounting principles generally accepted in the United States and the requirements of OMB Bulletin Number 97-01, as amended, and supplementary guidance provided by the DOC. Management also is responsible for the fair presentation of the USPTO's performance measures in accordance with OMB requirements. The quality of the USPTO's internal control rests with management, as does the responsibility for identifying and complying with pertinent laws and regulations.

Patent Application Publication No. US 2001/0048262 for a "coil winding for DC machine," filed electronically by Ernest A. Beutler, Esq., for Tadashi Takano and Hideaki Takahashi of Japan, and published after 18 months.

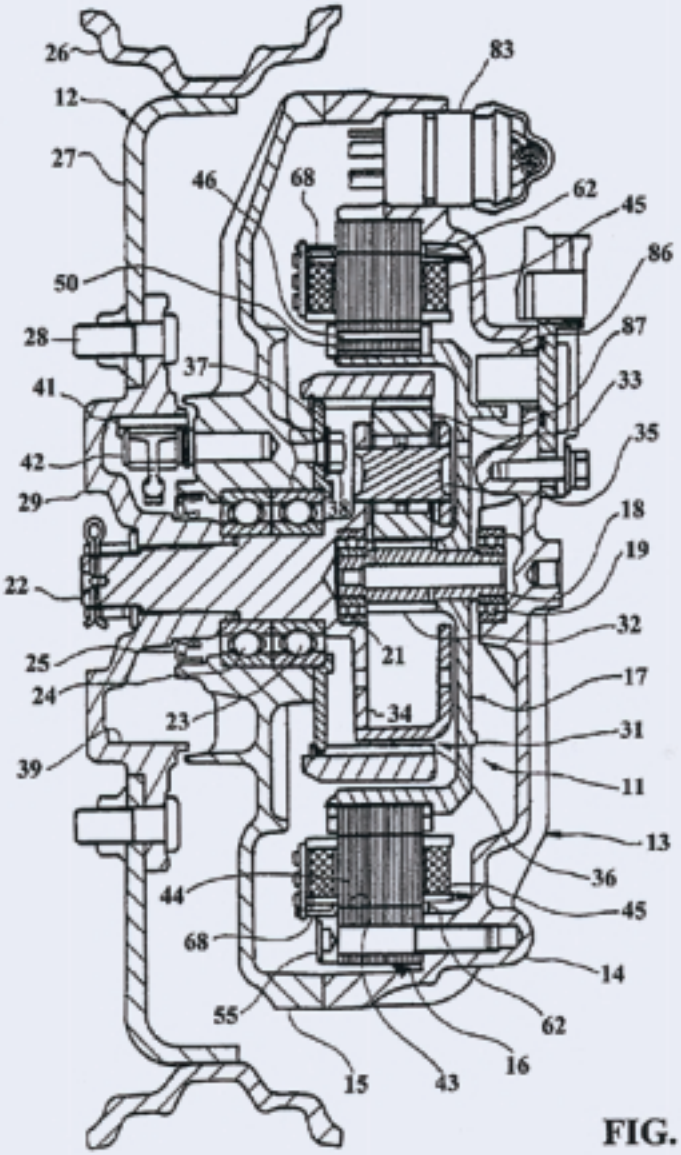


FIG. 1

Principal Financial Statements and Related Notes

U.S. PATENT AND TRADEMARK OFFICE CONSOLIDATED BALANCE SHEETS

As of September 30, 2001 and 2000

(Dollars in Thousands)	2001	2000
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 923,361	$ 810,381
Accounts Receivable	1,547	2,405
Advances and Prepayments	4,523	2,785
Total Intragovernmental	929,431	815,571
Cash	11,515	19,968
Accounts Receivable, Net	1,245	398
Advances and Prepayments	1,805	1,754
Property and Equipment, Net (Note 3)	128,598	124,851
Total Assets	$1,072,594	$962,542
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 3,496	$ 3,575
Accrued Payroll and Benefits	5,293	4,654
Accrued Postemployment Compensation	970	958
Customer Deposit Accounts	3,504	3,218
Total Intragovernmental	13,263	12,405
Accounts Payable	64,177	55,210
Accrued Payroll and Benefits	45,061	39,018
Accrued Leave	30,414	25,280
Customer Deposit Accounts	53,955	51,929
Deferred Revenue (Note 5)	374,988	338,780
Actuarial Liability (Note 6)	5,526	4,581
Capital Lease Liability (Note 7)	3,032	5,793
Contingent Liabilities (Note 12)	3,590	—
Total Liabilities (Note 4)	594,006	532,996
NET POSITION		
Cumulative Results of Operations	245,059	196,017
Revenue Withheld	233,529	233,529
Total Net Position	478,588	429,546
Total Liabilities and Net Position	$ 1,072,594	$ 962,542

The accompanying notes are an integral part of these financial statements.

U.S. PATENT AND TRADEMARK OFFICE
CONSOLIDATING STATEMENTS OF NET COST

For the years ended September 30, 2001 and 2000

(Dollars in Thousands)	2001			2000
	PATENTS	TRADEMARKS	TOTAL	TOTAL
PROGRAM				
Enhance Quality and Minimize Processing Time				
With the Public	$ 675,351	$ 101,866	$ 777,217	$ 695,948
Intragovernmental	175,090	26,409	201,499	196,763
Total Program Cost	850,441	128,275	978,716	892,711
Earned Revenue	(859,028)	(181,230)	(1,040,258)	(956,556)
Net Program Income	(8,587)	(52,955)	(61,542)	(63,845)
Strengthen Intellectual Property Protection				
With the Public	25,488	4,618	30,106	14,514
Intragovernmental	6,608	1,197	7,805	4,103
Total Program Cost	32,096	5,815	37,911	18,617
Net Cost/(Income) from Operations	$ 23,509	$ (47,140)	$ (23,631)	$ (45,228)
TOTAL ENTITY				
Total Program Cost (Notes 9 and 10)	$ 882,537	$ 134,090	$ 1,016,627	$ 911,328
Earned Revenue	(859,028)	(181,230)	(1,040,258)	(956,556)
Net Cost/(Income) from Operations	$ 23,509	$ (47,140)	$ (23,631)	$ (45,228)

The accompanying notes are an integral part of these financial statements.

U.S. PATENT AND TRADEMARK OFFICE
CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2001 and 2000

(Dollars in Thousands)	2001			2000
	PATENTS	TRADEMARKS	TOTAL	TOTAL
Net (Cost)/Income from Operations	$ (23,509)	$ 47,140	$ 23,631	$ 45,228
Other Financing Sources:				
Imputed Financing (Note 8)	21,930	3,481	25,411	22,827
Net Increase in Cumulative Results of Operations	$ (1,579)	$ 50,621	49,042	68,055
Non Operating Change - Rescission			—	(2,980)
Increase in Net Position			49,042	65,075
Net Position, Beginning Balance			429,546	364,471
Net Position, Ending Balance			$ 478,588	$ 429,546

The accompanying notes are an integral part of these financial statements.

U.S. PATENT AND TRADEMARK OFFICE
CONSOLIDATED STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2001 and 2000

(Dollars in Thousands)	2001	2000
BUDGETARY RESOURCES		
Budget Authority	$ 254,889	$ —
Unobligated Balances - Beginning of Period	12,479	144,928
Spending Authority from Offsetting Collections	1,084,667	1,006,658
Adjustments (Note 11)	(300,420)	(243,864)
Total Budgetary Resources	$ 1,051,615	$ 907,722
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	$ 1,040,586	$ 895,243
Unobligated Balances - Available	9,223	7,716
Unobligated Balances - Not Available	1,806	4,763
Total Status of Budgetary Resources	$ 1,051,615	$ 907,722
OUTLAYS		
Obligations Incurred	$ 1,040,586	$ 895,243
Spending Authority from Offsetting Collections and Adjustments	(1,089,303)	(1,020,663)
Obligated Balance, Net - Beginning of Period	254,352	245,253
Obligated Balance, Net - End of Period	(316,289)	(254,352)
Total Net Collections	$ (110,654)	$ (134,519)

The accompanying notes are an integral part of these financial statements.

U.S. PATENT AND TRADEMARK OFFICE
CONSOLIDATED STATEMENTS OF FINANCING

For the years ended September 30, 2001 and 2000

(Dollars in Thousands)	2001	2000
OBLIGATIONS AND NONBUDGETARY RESOURCES		
Obligations Incurred	$ 1,040,586	$ 895,243
Spending Authority from Offsetting Collections and Adjustments	(1,089,303)	(1,020,663)
Financing Imputed for Cost Subsidies	25,411	22,827
Exchange Revenue not in the Budget	(472)	—
Total Obligations, as Adjusted, and Nonbudgetary Resources	(23,778)	(102,593)
RESOURCES NOT FUNDING NET COST OF OPERATIONS		
Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided	(49,304)	(9,272)
Costs Capitalized on the Balance Sheet	(69,067)	(59,317)
Financing Sources that Fund Costs of Prior Periods	(926)	8
Financing Sources that Fund Costs of Future Periods	303,613	299,649
Total Resources not Funding Net Cost of Operations	184,316	231,068
NET COSTS NOT REQUIRING OR GENERATING RESOURCES		
Depreciation, Amortization, or Loss on Asset Dispositions	65,320	63,646
Revenue not Generating Resources	(258,901)	(250,273)
Other Costs not Requiring Resources	2	(746)
Total Net Costs not Requiring or Generating Resources	(193,579)	(187,373)
Financing Sources yet to be Provided	9,410	13,670
Net Income from Operations	$ (23,631)	$ (45,228)

The accompanying notes are an integral part of these financial statements.

U.S. PATENT AND TRADEMARK OFFICE
CONSOLIDATED STATEMENTS OF CASH FLOWS (INDIRECT)

For the years ended September 30, 2001 and 2000

(Dollars in Thousands)	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Cumulative Results of Operations	$ 49,042	$ 68,055
Adjustments Affecting Cash Flow:		
Decrease/(Increase) in Accounts Receivable	11	(632)
Increase in Advances and Prepayments	(1,789)	(1,448)
Increase/(Decrease) in Accounts Payable	8,888	(1,132)
Increase in Accrued Payroll and Benefits	6,682	5,854
Increase in Accrued Leave and Postemployment Compensation	5,146	3,451
Increase in Customer Deposit Accounts	2,312	4,940
Increase in Deferred Revenue	36,208	59,423
Increase in Actuarial Liability	945	882
(Decrease)/Increase in Capital Lease Liability	(2,761)	5,793
Increase in Contingent Liabilities	3,590	—
Depreciation, Amortization, or Loss on Asset Dispositions	65,320	63,646
Total Adjustments	124,552	140,777
Net Cash Provided by Operating Activities	173,594	208,832
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(69,067)	(59,317)
Net Cash Used in Investing Activities	(69,067)	(59,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Rescissions	—	(2,980)
Net Cash Used in Financing Activities	—	(2,980)
Net Cash Provided by Operating, Investing, and Financing Activities	$ 104,527	$ 146,535
Fund Balance with Treasury and Cash, Beginning	$ 830,349	$ 683,814
Net Cash Provided by Operating, Investing, and Financing Activities	104,527	146,535
Fund Balance with Treasury and Cash, Ending	$ 934,876	$ 830,349
Fund Balance with Treasury	$ 923,361	$ 810,381
Cash	11,515	19,968
Fund Balance with Treasury and Cash, Ending	$ 934,876	$ 830,349

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The USPTO is an agency of the United States within the Department of Commerce (DOC). The USPTO administers the laws relevant to patents and trademarks and advises the Secretary of Commerce, the President of the United States, and the administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property.

These financial statements include the USPTO's two core business activities that promote the use of intellectual property rights as a means of achieving economic prosperity - processing patent applications and registering trademarks. These activities not only give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, but also provide protection for their inventions and trademarks.

These financial statements report the accounts for salaries and expenses (13X1006), special fund receipts (revenue withheld) (135127), customer deposits from the public (13X6542), and customer deposits from other federal agencies (13F3885), which are under the control of the USPTO. The federal budget classifies the USPTO under the Commerce and Housing Credit (376) budget function. The USPTO does not have custodial responsibility, nor does it have lending or borrowing authority. The USPTO does not transact business among its own operating units, therefore, no intra-entity eliminations are necessary.

Basis of Presentation

As required by the Chief Financial Officers Act of 1990 and 31 U.S.C. 3515 (b), the accompanying financial statements present the financial position, net cost of operations, budgetary resources, and cash flows for the core business activities of the USPTO. The books and records of the USPTO serve as the source of this information.

These financial statements were prepared in accordance with the guidelines specified by the OMB in Bulletin Number 97-01, Form and Content of Agency Financial Statements, as well as the accounting policies of the USPTO. They may therefore differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the USPTO's budgetary resources.

Basis of Accounting

Transactions are recorded on the accrual basis of accounting as well as on a budgetary basis. Budgetary accounting allows for compliance with the requirements for, and controls over, the use of federal funds. Accrual accounting allows for revenue to be recognized when earned and expenses to be recognized when goods or services are received, without regard to the receipt or payment of cash. The accompanying financial statements are presented on the accrual basis of accounting. The accounting principles and standards applied in preparing these financial statements are in accordance with the accounting policies and practices summarized in this note and the following hierarchy of accounting principles:

- FASAB Statements and Interpretations plus AICPA and Financial Accounting Standards Board pronouncements if made applicable to federal governmental entities by a FASAB Statement or Interpretation;
- FASAB Technical Bulletins and the following pronouncements if specifically made applicable to federal government entities by the AICPA and cleared by the FASAB: AICPA Industry Audit and Accounting Guides and AICPA Statements of Position;
- AICPA Accounting Standards Executive Committee Practice Bulletins if specifically made applicable to federal governmental entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB;
- Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the federal government; and

- Other accounting literature published by authoritative standard-setting bodies and other authoritative sources (a) in the absence of other guidance in the first four parts of this hierarchy, and (b) if the use of such accounting principles improves the meaningfulness of the financial statements.

Budgets and Budgetary Accounting

Appropriated funds from general taxpayer revenue were gradually eliminated following the passage of the OBRA in 1990. The OBRA established revenue withholding on statutory patent fees. Subsequent legislation removed the reference to a specific surcharge withholding of 69 percent, required the USPTO to withhold and deposit exact amounts of revenue, and extended the revenue withholding through the end of FY 1998. This withheld revenue constitutes offsetting receipts, and was deposited into a restricted special fund receipt account at the U.S. Department of the Treasury (Treasury). The USPTO may use moneys from this account only as authorized by the Congress, and only as made available by the issuance of a Treasury warrant. Moneys not appropriated to the USPTO by the Congress are retained in the restricted receipt account at the Treasury. The U.S. Patent and Trademark Reauthorization Act, Fiscal Year 1999, as amended by Public Law 106-113, reset patent statutory fees without the OBRA surcharge. The USPTO has not collected or deposited any additional amounts in the restricted special fund receipt account since 1998. The special fund receipt account currently has no liabilities, and the entire fund balance will remain restricted until appropriated.

Fees other than the restricted revenue withholding are offsetting collections subject to an annual congressional limitation, and are available to the USPTO until expended. Funds authorized but not used in a given fiscal year are carried forward for use in future periods. Fees collected in excess of the annual congressional limitation are held for use in future periods as appropriated by Congress.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. In FY 2001, due to better insights gathered through our Activity Based Cost Accounting (ABC) model, estimates used in the calculation of deferred revenue were revised. Based on information that tracks when costs are incurred, we were able to determine that a significant amount of costs occur after first action and before disposition.

Revenue and Other Financing Sources

The USPTO's fee rates are established by rule and law and, consequently, in some instances may not represent full cost or market price. Since FY 1993, USPTO funding has been primarily through the collection of user fees. Fees that are remitted with initial applications and requests for other services are recorded as exchange revenue when received, with an adjustment at year-end to defer revenue for services that have not yet been performed. Amounts remitted by customers without a request for service are recorded as liabilities in customer deposit accounts until services are ordered.

The USPTO's share of the cost to the federal government for providing pension and other post-retirement benefits to eligible USPTO employees is recognized as an imputed financing source.

The USPTO also receives some financial gifts and gifts-in-kind from anonymous donors. All such transactions are included in the consolidated Gifts and Bequests Fund financial statements of the DOC. These gifts are not of significant value and are not reflected in the USPTO's financial statements. Most gifts-in-kind are used for official travel to further the attainment of the mission and objectives of the USPTO.

Entity/Non-Entity

Assets that an entity is authorized to use in its operations are termed entity assets, while assets that are held by an entity but are not available for the entity's use are termed non-entity assets. With the exception of a portion of the Fund balance with Treasury, all of the USPTO's assets are entity assets and are available to carry out the mission of the USPTO within existing budget constraints.

Fund Balance with Treasury

The Financial Management Service (FMS) of the Treasury maintains commercial bank accounts for the USPTO to deposit revenue collected. All moneys maintained in these accounts are transferred to the Federal Reserve Bank on the next business day following the day of deposit. In addition, many customer deposits are wired directly to the Federal Reserve Bank. All banking activity is conducted in accordance with the directives issued by the FMS of the Treasury. All disbursements are processed by the Treasury.

Accounts Receivable

Intragovernmental accounts receivable represent amounts due from other federal entities. Of total intragovernmental accounts receivable, $1,543 thousand as of September 30, 2001 and 2000 is due to a financing agreement that the USPTO and the DOC entered into during FY 1995 to fund the Commerce Administrative Management System.

Accounts receivable from the public represent a very small portion of the USPTO's assets as the USPTO requires payment prior to the provision of goods or services during the course of its core business activities. Public accounts receivable are mainly comprised of amounts due from former employees for the reimbursement of education expenses and other benefits.

The USPTO recorded a $13 thousand and $12 thousand allowance for uncollectible amounts to reduce the gross amount of its public accounts receivable to its net realizable value as of September 30, 2001 and 2000, respectively.

Advances and Prepayments

On occasion, the USPTO prepays amounts in anticipation of receiving future benefits. Although a payment has been made, an expense is not recorded until goods have been received or services have been performed. The largest prepayment is with the National Inventors Hall of Fame, a non-profit organization, with whom the USPTO entered into memorandums of understanding during FYs 1999 through 2001 for various cooperative efforts. In addition, the USPTO maintains deposit accounts with the Government Printing Office and the DOC to facilitate transactions of a recurring nature. The USPTO also advances funds to personnel for travel costs and expenses these amounts after travel has occurred.

Cash

Most of the USPTO's cash balance consists of undeposited checks for fees that were not processed at the Balance Sheet date due to the lag time between receipt and initial review. All such undeposited check amounts are considered to be cash equivalents. As of September 30, 2001 and 2000 the cash balance includes undeposited checks of $11,513 thousand and $19,953 thousand, respectively. Cash also is held outside the Treasury to be used as imprest funds. An imprest fund of $2 thousand and $15 thousand, respectively, was held as of September 30, 2001 and 2000.

Property and Equipment

The USPTO's capitalization policies are summarized below:

Classes of Property and Equipment	Capitalization Threshold for Individual Purchases	Capitalization Threshold for Bulk Purchases
ADP Equipment	$25 thousand or greater	$500 thousand or greater
Software	$25 thousand or greater	Not applicable
Software in Progress	$25 thousand or greater	Not applicable
Furniture	$25 thousand or greater	$ 50 thousand or greater
Equipment	$25 thousand or greater	$500 thousand or greater

Contractor costs for developing custom internal use software are capitalized when incurred for the design, coding, and testing of the software. Software in Progress is not amortized until placed in service.

Property and equipment acquisitions that do not meet the capitalization criteria are expensed upon receipt. Fully depreciated assets purchased prior to October 1, 1996, may be written off against accumulated depreciation.

Postemployment Compensation

Claims brought by employees of the USPTO for on-the-job injuries fall under the Federal Employees Compensation Act (FECA) administered by the U.S. Department of Labor (DOL). The DOL bills each agency annually as its claims are paid, but payment on these bills is deferred two years to allow for funding through the budget process. As of September 30, 2001, the USPTO recorded a $917 thousand liability for claims paid on its behalf during the benefit period July 1, 1999 through September 30, 2001. As of September 30, 2000, the USPTO recorded an $880 thousand liability for claims paid on its behalf during the benefit period July 1, 1998 through September 30, 2000.

Employees of the USPTO who lose their jobs through no fault of their own may receive unemployment compensation benefits under the unemployment insurance program administered by the DOL. The DOL bills each agency quarterly as its claims are paid. As of September 30, 2001, the USPTO recorded a $53 thousand liability for the quarters ended June and September for claims paid by the DOL on the USPTO's behalf. As of September 30, 2000, the USTPO recorded a $78 thousand liability for the quarters ended June and September.

Annual, Sick, and Other Leave

Annual leave and compensatory time are accrued as earned, with the accrual being reduced as leave is taken. An adjustment is made each fiscal year to ensure that the balances in the accrued leave accounts reflect current pay rates. No portion of this liability has been obligated. To the extent current or prior year funding is not available to pay for leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as used.

Employee Retirement Systems and Benefits

Employees of the USPTO participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The FERS was established by the enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees who had five years of federal civilian service prior to 1984 and who are rehired after a break in service of more than one year may be able to elect to join the FERS and Social Security system or be placed in the CSRS offset retirement system.

The financial statements of the USPTO do not report CSRS or FERS assets or accumulated plan benefits that may be applicable to its employees. The reporting of such liabilities is the responsibility of the U.S. Office of Personnel Management. While the USPTO reports no liability for future payments to employees under these programs, the federal government is liable for future payments to employees through the various agencies administering these programs. The USPTO does not fund post-retirement benefits such as the Federal Employees Health Benefit (FEHB) Program and the Federal Employees Group Life Insurance (FEGLI) Program. The USPTO also is not required to fully fund the CSRS pension liabilities. The financial statements of the USPTO recognize an imputed financing source and corresponding expense that represents the USPTO's share of the cost to the federal government of providing pension, post-retirement health, and life insurance benefits to all eligible USPTO employees.

For both FYs 2001 and 2000, the USPTO made contributions equivalent to approximately 8.5 percent and 10.7 percent of the employee's basic pay for those employees covered by CSRS and FERS, respectively, based on OPM cost factors.

All employees are eligible to contribute to a thrift savings plan. For those employees participating in the FERS, a thrift savings plan is automatically established, and the USPTO makes a mandatory one percent contribution to this plan. In addition, the USPTO makes matching contributions ranging from one to four percent for FERS-eligible employees who contribute to their thrift savings plans. No matching contributions are made to the thrift savings plans for employees participating in the CSRS. Employees participating in the FERS are covered under the Federal Insurance Contributions Act (FICA), for which the USPTO contributes a matching amount to the Social Security Administration.

For the period ended September 30, 2001 and 2000, respectively, the USPTO's retirement plan contributions for CSRS and FERS participants were $40,638 thousand and $36,606 thousand. The USPTO also contributed $25,922 thousand and $23,350 thousand for the years ended September 30, 2001 and 2000, respectively, to the Social Security Administration for FICA benefits.

Deferred Revenue

Deferred revenue represents fees that have been received by the USPTO for requested services that have not been substantially completed. Two types of deferred revenue are recorded. The first type results from checks received, with requests for services, which were not yet deposited due to the lag time between receipt and initial review. The second type of deferred revenue relates primarily to fees for applications that have been partially processed.

As more information and experience is acquired about the patent and trademark processes, the deferred revenue calculation has been further developed. The deferred revenue calculation is a complex accounting estimate, which requires a detailed and comprehensive understanding of numerous business and administrative processes as well as an in-depth knowledge of workloads and inventories. As the ABC model improves, the calculation now includes the portion of costs associated with various stages of the application process. The calculation previously included deferred amounts of applications prior to reaching first action. Beginning in FY 2001, the calculation has expanded to include work that has reached first actions, but not been registered, abandoned, or allowed.

Comparative Data

The USPTO incurs costs that directly contribute to a business line but are centrally managed for efficiency. In FY 2000, these costs were displayed as an "allocated cost" in Note 10. However, it was determined in FY 2001 that although these costs are centrally managed, they are better displayed as a "direct cost". Therefore, the FY 2000 presentation has been changed to display only the support costs that do not directly contribute to a business line, thus are indirect in nature, as an "allocated cost". In addition, the "other services" cost category has been included in the "contractual services" cost category as it was determined that the nature of the costs in the "other services" category is consistent with the costs in the "contractual services" category. The FY 2000 Note 9 and 10 presentations also include a reclassification of costs from "maintenance and repairs" to "contractual services." In FY 2001, it was determined that the nature of some of the work performed on our major contracts would be more appropriately classified in the "contractual services" cost category. Reclassification of the FY 2000 presentation was necessary for comparative purposes.

NOTE 2. FUND BALANCE WITH TREASURY

Non-entity funds consist of amounts held on deposit for the convenience of USPTO customers and held on behalf of the WIPO and the EPO. Customers have the option of maintaining a deposit account at the USPTO to facilitate the order process. Customers can draw from their deposit account when they place an order and can replenish their deposit account as desired. Funds maintained in customer deposit accounts are not available for USPTO use until an order has been placed. Once an order has been placed, the funds are reclassified to entity funds. In addition, the USPTO collects international fees on behalf of WIPO and the EPO and remits these fees monthly.

As of September 30, 2001 and 2000, the Fund balance with Treasury consisted of the following:

(Dollars in Thousands)	2001			2000
	Unrestricted Funds	Restricted Funds	Total	Total
Appropriated Funds (Obligated)	$ 309,610	$ —	$ 309,610	$ 248,366
Appropriated Funds (Unobligated)	316,083	—	316,083	267,353
Revenue Withheld	—	233,529	233,529	233,529
Subtotal Entity Funds	625,693	233,529	859,222	749,248
Intragovernmental Deposit Accounts	—	3,504	3,504	3,218
Other Customer Deposit Accounts	—	53,955	53,955	51,929
PCT WIPO/EPO Accounts	—	6,680	6,680	5,986
Subtotal Non-Entity Funds	—	64,139	64,139	61,133
Total Fund Balance with Treasury	$ 625,693	$ 297,668	$ 923,361	$ 810,381

NOTE 3. PROPERTY AND EQUIPMENT

As of September 30, 2001, property and equipment consisted of the following:

(Dollars in Thousands)

Class of Fixed Asset	Depreciation/ Amortization Method	Service Life (Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
ADP Equipment	SL	3-7	$ 192,345	$ 138,983	$ 53,362
Software	SL	3-11	108,296	59,000	49,296
Software in Progress	—	—	18,717	—	18,717
Furniture	SL	5	15,967	10,171	5,796
Equipment	SL	3-5	9,087	7,660	1,427
Total			$ 344,412	$ 215,814	$ 128,598

As of September 30, 2000, property and equipment consisted of the following:

(Dollars in Thousands)

Class of Fixed Asset	Depreciation/ Amortization Method	Service Life (Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
ADP Equipment	SL	3-7	$ 167,725	$ 117,619	$ 50,106
Software	SL	3-11	92,754	46,959	45,795
Software in Progress	—	—	19,588	—	19,588
Furniture	SL	5	17,064	9,620	7,444
Equipment	SL	3-5	8,768	6,850	1,918
Total			$ 305,899	$ 181,048	$ 124,851

NOTE 4. LIABILITIES

The USPTO records as liabilities all amounts that are likely to be paid as the direct result of events that have already occurred. The USPTO considers liabilities covered by three types of resources, realized budgetary resources, unrealized budgetary resources that become available without further Congressional action, and cash and Fund balance with Treasury. Realized budgetary resources include obligated balances directly funding existing liabilities and unobligated balances as of September 30, 2001. Unrealized budgetary resources represent fee collections in excess of amounts appropriated for current fiscal year spending. When current fiscal year appropriation language makes these unrealized budgetary resources available on October 1 of the following fiscal year without further Congressional action, these resources are used to cover liabilities. In FY 2001 and FY 2000, collections in excess of amounts appropriated for current fiscal year spending were $305,056 thousand and $254,889 thousand, respectively. However, only the FY 2000 excess collections, which became available the following fiscal year, are displayed as covering liabilities as of the Balance Sheet date. In addition, cash and Fund balance with Treasury cover liabilities that will never require the use of a budgetary resource. These liabilities consist of deposit accounts, refunds payable to customers for fee overpayments, undeposited collections and amounts collected by the USPTO on behalf of other organizations.

Due to the funding structure of the USPTO, budgetary resources do not cover a portion of unearned fees. The USPTO's fees that were withheld and deposited into a restricted special fund receipt account are not considered a resource until appropriated and made available by the issuance of a Treasury warrant, although the USPTO incurred costs to generate these fees. Therefore, budgetary resources from current operations that normally would be used to cover a portion of unearned fees have been used to cover prior year costs associated with restricted fees. In addition, the current patent fee structure sets low initial application fees following later with income from maintenance fees as a supplement to cover the full cost of the patent examination and issuance process. The combination of these funding circumstances requires the USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

As of September 30, 2001 and 2000, the following liabilities are covered by budgetary resources with the remainder not covered as follows:

(Dollars in Thousands)	2001	2000
Liabilities Covered by Resources		
Intragovernmental:		
Accounts Payable	$ 3,496	$ 3,575
Accrued Payroll and Benefits	5,293	4,654
Accrued Postemployment Compensation	—	78
Customer Deposit Accounts	3,504	3,218
Total Intragovernmental	12,293	11,525
Accounts Payable	64,177	55,210
Accrued Payroll and Benefits	38,485	39,018
Customer Deposit Accounts	53,955	51,929
Deferred Revenue	10,720	267,301
Capital Lease Liability	—	2,761
Total Liabilities Covered by Resources	179,630	427,744
Liabilities Not Covered by Resources		
Intragovernmental:		
Accrued Postemployment Compensation	970	880
Total Intragovernmental	970	880
Accrued Payroll and Benefits	6,576	—
Accrued Leave	30,414	25,280
Deferred Revenue	364,268	71,479
Actuarial Liability	5,526	4,581
Capital Lease Liability	3,032	3,032
Contingent Liabilities	3,590	—
Total Liabilities Not Covered by Resources	414,376	105,252
Total Liabilities	$ 594,006	$ 532,996

NOTE 5. DEFERRED REVENUE

As of September 30, 2001, deferred revenue consisted of the following:

(Dollars in Thousands)	Patents	Trademarks	Total
Unearned Fees	$ 325,831	$ 38,437	$ 364,268
Undeposited Checks	8,897	1,823	10,720
Total Deferred Revenue	$ 334,728	$ 40,260	$ 374,988

As of September 30, 2000, deferred revenue consisted of the following:

(Dollars in Thousands)	Patents	Trademarks	Total
Unearned Fees	$ 259,848	$ 59,708	$ 319,556
Undeposited Checks	17,404	1,820	19,224
Total Deferred Revenue	$ 277,252	$ 61,528	$ 338,780

NOTE 6. ACTUARIAL LIABILITY

The FECA provides income and medical cost protection to covered federal civilian employees injured on the job who have contracted a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under the FECA for the USPTO's employees are administered by the DOL and are ultimately paid by the USPTO.

The DOL estimated the future workers compensation liability by applying actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims.

The DOL method of determining liability uses historical benefit payment patterns for a specific incurred period to predict the ultimate payments for that period. During FY 2000, the DOL updated the FECA liability projection to include claims incurred but not reported and extended the duration of the model. Also, during FY 2000, the DOL eliminated the use of mortality tables to reduce the life pension aspects of the model and make the FECA model more comparable to a private-sector casualty insurance model. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

2001	2000
5.21% in year 1,	6.15% in year 1,
5.21% in year 2,	6.28% in year 2,
and thereafter	6.30% in year 3,
	and thereafter

Based on information provided by the DOL, the DOC determined that the estimated liability of the USPTO as of September 30, 2001 and 2000 was $5,526 thousand and $4,581 thousand, respectively.

NOTE 7. LEASES

Capital Lease:

The USPTO capital lease was entered into during FY 2000 and consists of ADP equipment with a lease term longer than one year, a fair market value of $25,000 or more, a useful life of two years or more, and agreement terms equivalent to an installment purchase.

(Dollars in Thousands)	
Equipment	$ 12,473
Accumulated Depreciation	(6,230)
Total	$ 6,243

Under existing commitments as of September 30, 2001, the capital lease term extends through fiscal year 2002. Future minimum lease payments are as follows:

(Dollars in Thousands)	
FY 2002 Future Minimum Lease Payments	$ 3,120
Less: Imputed Interest	88
Net Capital Lease Liability	$ 3,032
Liabilities Covered by Budgetary Resources	$ —
Liabilities Not Covered by Budgetary Resources	3,032
Total	$ 3,032

Operating Leases:

The GSA negotiates long-term leases and levies rent charges, paid by the USPTO, approximate to commercial rental rates. These operating lease agreements negotiated by the GSA for the USPTO's office buildings expire at various dates between FY 2002 and FY 2023. During FYs 2001 and 2000 the USPTO paid $62,943 thousand and $61,013 thousand, respectively, to GSA for rent.

Under existing commitments as of September 30, 2001, the minimum lease payments through FY 2006, and thereafter, are as follows:

Fiscal Year	(Dollars in Thousands)
2002	$ 62,867
2003	62,771
2004	112,918
2005	73,947
2006	61,203
Thereafter	914,608
Total Future Minimum Lease Payments	$ 1,288,314

NOTE 8. IMPUTED FINANCING

The USPTO recognizes an imputed financing source and corresponding expense to represent its share of the cost to the federal government of providing pension and post-retirement health and life insurance benefits (Pension/ORB) to all eligible USPTO employees.

As of September 30, 2001 and 2000, the components of the imputed financing sources and corresponding expenses are as follows:

(Dollars in Thousands)	2001	2000
CSRS/FERS	$ 8,208	$ 7,511
FEHB	17,137	15,255
FEGLI	66	61
Total Pension/ORB	$ 25,411	$ 22,827

NOTE 9. PROGRAM COSTS

Program costs are accumulated by USPTO strategic goals and consist of both costs directly related to the individual business lines and overall support costs allocated to the business lines. Total program or operating costs for the years ended September 30, 2001 and 2000 by cost category are as follows:

(Dollars in Thousands)	2001			2000
	Direct	Allocated	Total	Total
Personnel Services and Benefits	$ 501,930	$ 41,217	$ 543,147	$ 490,122
Unfunded Personnel Services and Benefits	30,338	2,618	32,956	29,119
Travel and Transportation	1,428	3,282	4,710	3,474
Rent, Communications, and Utilities	63,417	13,565	76,982	71,390
Printing and Reproduction	55,480	1,333	56,813	53,638
Contractual Services	117,166	71,141	188,307	168,718
Training	4,317	2,118	6,435	5,851
Maintenance and Repairs	7,655	8,078	15,733	11,987
Supplies and Materials	8,347	1,171	9,518	6,711
Equipment not Capitalized	8,953	3,900	12,853	6,415
Insurance Claims and Indemnities	3,689	1	3,690	257
Imputed Interest	110	53	163	—
Depreciation, Amortization, or Loss on Asset Disposition	43,524	21,796	65,320	63,646
Total Program Costs	$ 846,354	$ 170,273	$ 1,016,627	$ 911,328

NOTE 10. PROGRAM COSTS BY CATEGORY AND RESPONSIBILITY SEGMENT

The program costs for the years ended September 30, 2001 and September 30, 2000 by cost category and business line are as follows:

(Dollars in Thousands)	2001			2000
	Patents	Trademarks	Total	Total
Direct Costs				
Personnel Services and Benefits	$ 431,901	$ 70,029	$ 501,930	$ 448,538
Unfunded Personnel Services and Benefits	26,088	4,250	30,338	26,251
Travel and Transportation	1,219	209	1,428	1,014
Rent, Communications, and Utilities	54,347	9,070	63,417	59,233
Printing and Reproduction	52,999	2,481	55,480	51,666
Contractual Services	103,564	13,602	117,166	103,975
Training	3,783	534	4,317	2,156
Maintenance and Repairs	6,142	1,513	7,655	4,739
Supplies and Materials	7,701	646	8,347	5,420
Equipment not Capitalized	7,995	958	8,953	3,299
Insurance Claims and Indemnities	3,689	—	3,689	254
Imputed Interest	96	14	110	—
Depreciation, Amortization, or Loss on Asset Disposition	38,567	4,957	43,524	51,972
Subtotal Direct Costs	738,091	108,263	846,354	758,517
Allocated Costs				
Automation	67,629	11,753	79,382	58,492
Resource Management	76,817	14,074	90,891	94,319
Subtotal Allocated Costs	144,446	25,827	170,273	152,811
Total Program Costs	$ 882,537	$ 134,090	$ 1,016,627	$ 911,328

NOTE 11. ADJUSTMENTS TO BUDGETARY RESOURCES

For the periods ended September 30, 2001 and 2000, the components of adjustments to budgetary resources are as follows:

(Dollars in Thousands)	2001	2000
Recoveries of Prior Year Obligations	$ 4,636	$ 14,005
Temporarily Not Available Pursuant to Public Law	(305,056)	(254,889)
Enacted Rescissions	—	(2,980)
Total Adjustments	$ (300,420)	$ (243,864)

NOTE 12. COMMITMENTS AND CONTINGENCIES

Commitments

In addition to the future lease commitments discussed in Note 7, the USPTO is obligated for the purchase of goods and services that had been ordered but not yet received. Total undelivered orders for all of the USPTO's activities were $224,535 thousand and $175,231 thousand as of September 30, 2001 and 2000, respectively. Of these amounts, $218,207 thousand and $170,695 thousand were unpaid.

Contingencies

The USPTO is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which ultimately may result in settlements or decisions against the federal government. Management expects that as of September 30, 2001, it is reasonably possible that from $228 thousand to $668 thousand may be owed for awards or damages involving labor relations claims and $623 thousand may be owed for awards or damages involving other claims. In addition, $3,590 thousand was accrued for claims where an adverse outcome is probable. Although the ultimate disposition of any potential Judgment Fund proceedings cannot be determined, management expects that $590 thousand of the liability will be paid out of the Judgment Fund.

PONTIAC EMBLEM design owned by General Motors Corporation Application Serial No. 78048590 for motor land vehicles, namely, automobiles, sport utility vehicles, trucks, vans, engines thereof and structural parts thereof

MR. CLEAN design owned by Procter & Gamble Company Application Serial No. 78014557 for posters

Application Serial No. 75910296 filed by Avon Products, Inc. for cosmetics, fragrances, and toiletries, namely, fragrance spray, fragrance in solid form, body cream, body lotion, body powder, skin softener, shower gel, aerosol body spray, and roll-on deodorant

CHRYSLER EMBLEM design owned by General Motors Corporation Application Serial No. 78075441 for belt buckles, charms, clocks, coins, cuff-links, earrings, ingots, lapel pins, money clips, pendants, rings, tie clips, tie tacks, watches

Required Supplemental Information

U.S. PATENT AND TRADEMARK OFFICE
REQUIRED SUPPLEMENTAL INFORMATION

As of September 30, 2001 and 2000

Intragovernmental Assets:
(Dollars in Thousands)

	Trading Partner	Fund Balance with Treasury	Accounts Receivable	Advances and Prepayments	2001 Total	2000 Total
04	Government Printing Office	$ —	$ 4	$ 3,766	$ 3,770	$ 2,153
13	Department of Commerce	—	1,543	747	2,290	2,170
17	Department of the Navy	—	—	—	—	8
20	Department of Treasury	923,361	—	—	923,361	810,381
47	General Services Administration	—	—	—	—	788
49	National Science Foundation	—	—	—	—	60
97	Department of Defense	—	—	10	10	11
	Total	$ 923,361	$ 1,547	$ 4,523	$ 929,431	$ 815,571

Intragovernmental Liabilities:
(Dollars in Thousands)

	Trading Partner	Accounts Payable	Accrued Payroll and Benefits	Accrued Post-employment Compensation	Customer Deposit Accounts	2001 Total	2000 Total
03	Library of Congress	$ 8	$ —	$ —	$ —	$ 8	$ —
04	Government Printing Offfice	949	—	—	—	949	2,481
11	Executive Office of the President	378	—	—	—	378	—
12	Department of Agriculture	—	—	—	96	96	142
13	Department of Commerce	439	—	—	57	496	984
14	Department of Interior	22	—	—	14	36	16
15	Department of Justice	—	—	—	5	5	11
16	Department of Labor	—	—	970	—	970	958
17	Department of the Navy	—	—	—	837	837	624
18	United States Postal Service	—	—	—	4	4	4
19	Department of State	75	—	—	—	75	—
20	Department of Treasury	76	1,579	—	—	1,655	1,369
21	Department of the Army	—	—	—	1,093	1,093	847
24	Office of Personnel Management	114	3,714	—	—	3,828	3,338
47	General Services Administration	711	—	—	—	711	—
57	Department of the Air Force	—	—	—	91	91	15
64	Tennessee Valley Authority	—	—	—	—	—	2
68	Environmental Protection Agency	—	—	—	1	1	192
69	Department of Transportation	—	—	—	3	3	1
75	Health and Human Services	221	—	—	42	263	49
80	National Aeronautics and Space Admin.	—	—	—	487	487	487
88	National Archives and Records Admin.	503	—	—	—	503	—
89	Department of Energy	—	—	—	698	698	842
96	U.S. Army Corps of Engineers	—	—	—	66	66	40
97	Department of Defense	—	—	—	10	10	3
	Total	$ 3,496	$ 5,293	$ 970	$ 3,504	$ 13,263	$ 12,405

Intragovernmental Earned Revenue:
(Dollars in Thousands)

Trading Partner		2001	2000
04	Government Printing Office	$ 1	$ —
11	Executive Office of the President	1	—
12	Department of Agriculture	298	226
13	Department of Commerce	80	91
14	Department of Interior	34	16
15	Department of Justice	9	7
17	Department of the Navy	1,179	1,333
18	United States Postal Service	65	40
20	Department of Treasury	—	1
21	Department of the Army	757	789
33	Smithsonian Institution	1	1
49	National Science Foundation	—	61
57	Department of the Air Force	345	251
64	Tennessee Valley Authority	12	17
68	Environmental Protection Agency	168	34
69	Department of Transportation	5	25
75	Department of Health and Human Services	8	8
80	National Aeronautics and Space Administration	520	482
89	Department of Energy	1,225	1,046
90	Selective Service System	—	1
96	U.S. Army Corps of Engineers	44	57
97	Department of Defense	31	—
	Total	$ 4,783	$ 4,486

Gross Costs that Generated Intragovernmental Earned Revenue:
(Dollars in Thousands)

Budget Functional Classification		2001	2000
376	Commerce Housing Credit	$ 4,703	$ 4,395
	Total	$ 4,703	$ 4,395

Intragovernmental Non-exchange Revenue:
(Dollars in Thousands)

Trading Partner		2001	2000
24	Office of Personnel Management	$ 25,411	$ 22,827
	Total	$ 25,411	$ 22,827

The USPTO has not deferred to a future period maintenance on the property and equipment presented on the Balance Sheet as of September 30, 2001 and 2000.

Independent Auditor's Reports

ERNST & YOUNG LLP

Report of Independent Auditors

To the Office of Inspector General,
Department of Commerce, and
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

We have audited the consolidated balance sheets of the U.S. Patent and Trademark Office (USPTO), an Agency of the United States with the Department of Commerce as of September 30, 2001 and 2000, and the related consolidating statements of net cost and changes in net position and consolidated statements of budgetary resources, financing, and cash flows for the fiscal years then ended. These financial statements are the responsibility of the USPTO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits for the years ended September 30, 2001 and 2000 in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. These standards and requirements require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USPTO as of September 30, 2001 and 2000, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of expressing an opinion on the financial statements referred to in the first paragraph. The information in the Management's Discussion and Analysis (MD&A) and the Supplemental Information is not a required part of the USPTO's financial statements, but is considered supplementary information required by OMB Bulletins 97-01, as amended, and 01-09 as applicable, *Form and Content of Agency Financial Statements*. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on it.

However, we were unable to assess the control risk relevant to USPTO's intra-governmental transactions and balances with non-Department of Commerce trading partners, as required by OMB Bulletin 01-02, because these procedures were to be performed at the Department level. The Department of Commerce was unable to perform most of the reconciliations with its federal trading partners as required by the January 7, 2000 technical amendments to OMB Bulletin 97-01.

In accordance with *Government Auditing Standards*, we have also issued our reports as of and for the year ended September 30, 2001, dated December 28, 2001, on our consideration of the USPTO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Ernst + Young LLP

December 28, 2001

ERNST & YOUNG LLP

Report of Independent Auditors on Internal Control

To the Office of Inspector General,
Department of Commerce, and
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

We have audited the financial statements of the U.S. Patent and Trademark Office (USPTO) as of and for the years ended September 30, 2001 and 2000, and have issued our report thereon dated December 28, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits, we considered the USPTO's internal control over financial reporting by obtaining an understanding of the USPTO's internal control, determined whether internal control had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 01-02. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to ensuring efficient operations. The objective of our audits was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the USPTO's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements, losses or noncompliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

In addition, with respect to internal control related to performance measures reported in the Management's Discussion and Analysis (MD&A), we obtained an understanding of the design of internal control relating to the existence and completeness assertions and determined whether they have been placed in operation, as required by OMB Bulletin 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

Separate letters, dated October 12, 2001 and December 28, 2001, were provided to management that further discuss certain matters related to electronic data processing and other matters that came to our attention, respectively, as a result of our audits.

This report is intended solely for the information and use of Department of Commerce Office of Inspector General, the management of the USPTO, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

December 28, 2001

Report of Independent Auditors on Compliance with Laws and Regulations

To the Office of Inspector General,
Department of Commerce, and
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

We have audited the financial statements of the U.S. Patent and Trademark Office (USPTO) as of and for the years ended September 30, 2001 and 2000, and have issued our report thereon dated December 28, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the USPTO is responsible for complying with laws and regulations applicable to the USPTO. As part of obtaining reasonable assurance about whether the USPTO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the USPTO. We caution that noncompliance may occur and not be detected by the tests performed and that such testing may not be sufficient for other purposes.

The results of our tests disclosed no instances of noncompliance with the laws and regulations discussed in the preceding paragraph exclusive of FFMIA that are required to be reported under *Government Auditing Standards* or OMB Bulletin 01-02.

Under FFMIA, we are required to report whether the USPTO's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which the USPTO's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audits and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Office of Inspector General, management of the USPTO, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

December 28, 2001

Other Accompanying Information

THE NATURE OF THE TRAINING PROVIDED TO USPTO EXAMINERS

Achieving organizational excellence demands a high performing workforce that delivers high quality work products and provides customer service excellence. Training is a critical component in achieving consistently high quality products and services.

Patent examiners and trademark examining attorneys received extensive legal, technical and automation training in FY 2001. The USPTO has a comprehensive training program for new patent examiners and trademark examining attorneys, which has a well-established curriculum including initial legal training and training in examination practice and procedure. Additionally, in FY 2001, the USPTO provided legal lectures on current issues such as the Utility Guidelines and Written Description Guidelines and training on new rules changes. Automation training is provided to all examiners on an as-needed just-in-time basis. Technology specific legal and technical training was conducted throughout the examining operations. This specific training either focused on practices particular to the technology or was developed to address training needs identified through performance measurement.

In addition, the training staff in the USPTO's Office of Quality Management and Training work one-on-one with the patent and trademark business units to address specific training concerns and serve as consultants to design specific, internal programs to fit the education needs of each business unit. Training is reviewed and evaluated on an ongoing basis to insure that the training is up-to-date and that coursework reflects developments and changes that have taken place in the industry.

PATENT EXAMINER TRAINING

Procedural Training – Mandatory for all first year examiners	Patent Examiner Initial Training (PEIT) and Introduction to Practice and Procedures (IPP) Standardized training is provided to new patent examiners to teach them the basic skills and knowledge of the patent process, practices and procedures such that they will be able to successfully examine a patent application. The examiner will also be able to provide an initial report to their supervisor on what is the claimed, as well as, the disclosed invention contained in the application so as to permit him/her to perform a prior art search. The number of courses offered each year is based on the projected number of new examiners entering the patent business unit.
Legal Training – Mandatory for all first year examiners	Practice and Procedures Lectures covering the following topics: ■ Types of application and application requirements ■ "Novelty" requirements ■ "Non-Obviousness" requirements ■ "Utility" requirements ■ Restriction practice ■ Unity of invention ■ Double patenting ■ Allowance and issue ■ Appeals
Legal Training – Technology Center Focused	■ "Novelty" requirements ■ Docket Management ■ Part of Application ■ USPTO Forms ■ After Final Practice ■ "Non-Obviousness" requirements ■ "Utility" requirements ■ Prior Art (special topics) ■ Restriction Practice ■ Response to Arguments ■ Double Patenting ■ Reexam/Reissue
Legal Training – Legal Lectures	Various topics offered each year
Legal Training – Legal Courses	■ Patent Law ■ Evidence

PATENT EXAMINER TRAINING *Continued*	
Examiner Technical Training – Technology Center Focused	■ Biotechnology ■ Chemical Engineering ■ Mechanical Engineering ■ Computer Software and Hardware ■ Optics, Semiconductor, Electrical Engineering ■ Communication Technology
Examiner Technical Training – In-house Technical Lectures	Examples: ■ TCP/IP ■ 3G Wireless Mobile Communication ■ RF/Wireless Engineering ■ DVD Technology ■ Disk Drive operations ■ Memory Technolgies ■ Communications Basics ■ 3rd Generation Cellular ■ Display System ■ Flat Panel Display Lecture ■ Optical Technology ■ Computer Architecture
Automation Training	Examples: ■ Introduction to Computer Skills ■ Keyboarding Skills ■ Windows™ NT Overview ■ Windows™ NT Hands On ■ Computer Housekeeping ■ Microsoft® Outlook ■ Microsoft® Excel ■ Microsoft® Word I, II, III, IV ■ Office Action Correspondence Subsystem ■ US Classes, International Patent Classification Codes and the Concordance Online ■ Search Strategy Development Overview ■ Automated Searching for Design Examiners ■ Automated Searching for Shoe Searcher ■ Chemical Searching for Non-Chemists ■ Introduction to Sequence Searching ■ Examiner's Automated Search Tool (EAST) - Search Strategy for Chemical, Mechanical, Electrical, and Biotechnology Arts ■ Web-Based Examiner Search Tool (WEST) - Search Strategy for Chemical, Mechanical, Electrical, and Biotechnology Arts ■ Search Strategy for the Biotechnology Arts ■ WEST for EAST Searchers/ EAST for WEST Searchers ■ Understanding and Locating Foreign Patents ■ Commercial Databases and Web Resources

TRADEMARK EXAMINING ATTORNEY TRAINING

Trademark Organization Training and Learning (TOTAL)	This course provides new trademark attorneys with basic knowledge of the Federal Trademark Act, examination procedures and automated search tools. Practice and Procedures Lectures and Activities cover the following topics:
Legal Training – Mandatory for all first year trademark examining attorneys.	■ Trademark Law Overview ■ Refusals under Section 2(d) of Trademark Act (Likelihood of Confusion) ■ Refusals under Section 2(e)(1) of Trademark Act (Mere Descriptiveness/Deceptively Misdescriptive) ■ Trademark Manual of Examining Procedure ■ Refusals under Section 2(e)(2) of Trademark Act (Geographically Descriptive) ■ Refusals under Section 2(e)(3) of Trademark Act (Geographically Deceptively Misdescriptive) ■ Refusals under Section 2(e)(4) of Trademark Act (Primarily Merely Surname) ■ Intent to Use Procedural Requirements ■ Identification and Classification of Goods and Services Practice ■ Legal Letter Writing ■ Drawings, Specimens and Use-Based Refusals ■ Basis Requirements ■ Options Practice – Section 2(f) of Trademark Act and Supplemental Register ■ Disclaimer Requirements ■ Evidence Practice ■ Refusals under Sections 2(a), (b) and (c) of Trademark Act
Automation Training	■ PTOnet System and Applications ■ X-Search Automated Trademark Search System

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TABLE 1

SUMMARY OF PATENT EXAMINING ACTIVITIES

(As of September 30 of each fiscal year)

PATENT EXAMINING ACTIVITY	1997	1998	1999	2000	2001
Applications filed, total	**237,045**	**256,666**	**278,268**	**311,807**	**344,717**
Utility /1, /2	219,486	238,850	259,618	291,653	324,211
Reissue /2	607	582	664	805	956
Plant /2	680	658	759	786	914
Design	16,272	16,576	17,227	18,563	18,636
First actions					
Design	15,038	16,836	18,050	17,856	17,748
Utility, Plant, and Reissue	193,635	192,849	226,642	237,421	241,770
PCT/Chapter 1	12,268	13,430	14,316	16,331	17,972
Patent application disposals, total	**212,763**	**220,333**	**238,292**	**252,871**	**257,467**
Allowed Patent Applications, total /3	**148,802**	**158,259**	**171,685**	**182,888**	**183,394**
Design	13,562	15,214	16,305	16,688	16,526
Utility, Plant, and Reissue	135,240	143,045	155,380	166,200	166,868
Abandoned, total	**63,878**	**61,994**	**66,493**	**69,895**	**74,014**
Design	2,511	1,892	2,431	1,839	1,448
Utility, Plant, and Reissue	61,367	60,102	64,062	68,056	72,566
Statutory invention registration disposals, total	**83**	**80**	**114**	**88**	**59**
PCT/Chapter II examinations completed	**11,582**	**12,223**	**12,886**	**15,471**	**18,859**
Patents issued /4	**122,977**	**154,579**	**159,166**	**182,223**	**187,822**
Utility	111,979	139,298	142,856	164,490	169,576
Reissue	267	284	437	561	504
Plant	400	577	393	453	563
Design	10,331	14,420	15,480	16,719	17,179
Allowed applications, issue fee not paid /5	5,599	6,853	4,000	7,633	6,985
Pendency time of average patent application /6	22.2	23.8	25.0	25.0	24.7
Reexamination requests	376	350	385	318	296
Reexamination certificates issued	334	317	243	276	287
PCT search reports prepared	12,048	12,859	14,116	15,896	16,692
PCT international applications received by					
USPTO as receiving office	22,767	27,138	30,305	36,671	43,322
National requirements received by USPTO as designated/elected office	13,858	17,305	19,941	23,628	26,821
International preliminary examination reports	11,738	12,003	14,615	15,044	17,740
Patents renewed under P.L. 102-204 /7	138,695	135,462	156,414	206,255	205,117
Patents expired under P.L. 102-204 /7	54,485	41,063	52,289	47,958	49,077

1/ Utility patents include chemical, electrical and mechanical applications.
2/ Utility, Plant, and Reissue applications revised from 1996 - 2000 to reflect the latest actual counts in PALM.
3/ Allowed Patent Applications are applications awaiting issuance (i.e., publication) as patents.
4/ Excludes withdrawn numbers.
5/ 35 U.S.C. § 151 (includes design applications).
6/ Average time (in months) between filing and issuance or abandonment of utility, plant, and reissue applications. This average does not include design patents.
7/ The provisions of P.L. 102-204 regarding the renewal of patents superceded P.L. 96-517 and P.L. 97-247. FY 1999 column revised from FY 1999 report.

TABLE 2

PATENT APPLICATIONS FILED

(FY 1981 - FY 2001)

Year	Utility /1, /2	Design	Plant /2	Reissue /2	Total
1981	106,828	7,197	147	538	114,710
1982	116,052	8,069	193	486	124,800
1983	96,847	8,256	231	370	105,704
1984	109,010	8,446	248	281	117,985
1985	115,893	9,504	244	290	125,931
1986	120,988	9,792	291	332	131,403
1987	125,677	10,766	364	366	137,173
1988	136,253	11,114	377	439	148,183
1989	150,418	11,975	418	495	163,306
1990	162,708	11,140	395	468	174,711
1991	166,765	10,368	414	536	178,083
1992	171,623	12,907	335	581	185,446
1993	173,619	13,546	362	572	188,099
1994	185,087	15,431	430	606	201,554
1995	220,141	15,375	516	647	236,679
1996	189,922	15,160	557	637	206,276
1997	219,486	16,272	680	607	237,045
1998	238,850	16,576	658	582	256,666
1999	259,618	17,227	759	664	278,268
2000	291,653	18,563	786	805	311,807
2001	**324,211**	**18,636**	**914**	**956**	**344,717**

1/ Chemical, electrical, and mechanical applications.
2/ Utility, Plant, and Reissue applications revised from 1996 - 2000 to reflect the latest actual counts in PALM.

TABLE 3

PATENTS PENDING PRIOR TO ALLOWANCE /1

(FY 1981 - FY 2001)

Year	Awaiting action by examiner	Total applications pending /2
1981	71,033	181,727
1982	87,659	216,509
1983	102,532	223,101
1984	90,687	219,567
1985	90,648	215,512
1986	80,547	207,774
1987	65,010	209,911
1988	75,678	215,280
1989	92,377	222,755
1990	104,179	244,964
1991	104,086	254,507
1992	112,201	269,596
1993	99,904	244,646
1994	107,824	261,249
1995	124,275	298,522
1996	139,943	303,720
1997	112,430	275,295
1998	224,446	379,484
1999	243,207	414,837
2000	308,056	485,129
2001	**355,779**	**542,007**

1/ Includes patents pending at end of period indicated, and includes utility, reissue, plant, and design applications. Does not include allowed applications.
2/ Applications under examination, including those in preexamination processing.

TABLE 4

PATENT PENDENCY STATISTICS
(FY 2001)

UTILITY, PLANT & REISSUE (UPR) APPLICATIONS	NUMBER OF APPLICATIONS	AVERAGE PENDENCY *(in months)*
Total	**243,209**	**24.7**
Issued	170,643	25.3
Abandoned	72,566	22.5
Applications In Process	628,718	16.6

UPR PENDENCY STATISTICS BY TECHNOLOGY CENTER *(in months)*

	To Issue	Abandoned	In Process
Total UPR Pendency	**25.3**	**22.5**	**16.6**
Tech Center 1600 - Biotechnology & Organic Chemistry	27.5	22.7	19.3
Tech Center 1700 - Chemical and Materials Engineering	25.9	25.1	16.6
Tech Center 2100 - Computer Architecture, Software & Electronic Commerce	33.6	26.9	17.2
Tech Center 2600 - Communications	33.4	28.2	19.8
Tech Center 2800 - Semiconductor, Electrical, Optical Systems & Components	23.6	21.7	14.2
Tech Center 3600 - Transportation, Construction & Agriculture	22.9	19.0	13.4
Tech Center 3700 - Mechanical Engineering, Manufacturing & Products	21.8	18.9	13.8

TOTAL UPR PENDENCY BY TECHNOLOGY CENTER *(in months)*

	Average Pendency in Months
Total UPR Pendency	**24.7**
Tech Center 1600 - Biotechnology & Organic Chemistry	26.0
Tech Center 1700 - Chemical and Materials Engineering	25.8
Tech Center 2100 - Computer Architecture, Software & Electronic Commerce	32.0
Tech Center 2600 - Communications	32.2
Tech Center 2800 - Semiconductor, Electrical, Optical Systems & Components	23.3
Tech Center 3600 - Transportation, Construction & Agriculture	22.1
Tech Center 3700 - Mechanical Engineering, Manufacturing & Products	21.1

TABLE 5

SUMMARY OF PENDING PATENT APPLICATIONS

(As of September 30, 2001)

Stage of processing	Utility, plant and reissue applications	Design applications	Total patent applications
Pending patent applications, total	**592,364**	**20,809**	**613,173**
In preexamination processing, total	**74,643**	**3,571**	**78,214**
Under examination, total	**450,461**	**10,616**	**461,077**
Undocketed	33,410	348	33,758
Awaiting first action by examiner	236,316	7,491	243,807
Rejected, awaiting response by applicant	136,132	2,379	138,511
Amended, awaiting action by examiner	33,006	318	33,324
In interference	1,137	20	1,157
On appeal, and other /1	10,460	60	10,520
In postexamination processing, total	**67,260**	**6,622**	**73,882**
Awaiting issue fee	39,489	3,959	43,448
Awaiting printing /2	24,514	2,663	27,177
D-10s (secret cases in condition for allowance)	3,257	-	3,257

- Represents zero
1/ Includes cases on appeal and undergoing petitions.
2/ Includes withdrawn cases.

TABLE 6

PATENTS ISSUED
(FY 1981 - FY 2001)

Year	Utility /1	Design	Plant	Reissue	Total
1981	66,617	3,882	168	343	71,010
1982	59,449	5,299	120	284	65,152
1983	54,744	4,401	219	351	59,715
1984	66,753	4,935	174	287	72,149
1985	69,667	5,058	277	300	75,302
1986	71,301	5,202	227	263	76,993
1987	82,141	6,158	240	254	88,793
1988	77,317	5,740	283	244	83,584
1989	95,831	5,844	728	309	102,712
1990	88,974	7,176	295	282	96,727
1991	91,822	9,386	318	334	101,860
1992	99,405	9,612	336	375	109,728
1993	96,676	9,946	408	302	107,332
1994	101,270	11,138	513	347	113,268
1995	101,895	11,662	390	294	114,241
1996	104,900	11,346	338	291	116,875
1997	111,979	10,331	400	267	122,977
1998	139,298	14,420	577	284	154,579
1999	142,856	15,480	437	393	159,166
2000	164,490	16,719	453	561	182,223
2001	**169,576**	**17,179**	**563**	**504**	**187,822**

1/ Includes chemical, electrical, and mechanical applications.

TABLE 7 **PATENT APPLICATIONS FILED BY RESIDENTS OF THE UNITED STATES /1**
(FY 2001)

State/Territory	2001	State/Territory	2001	State/Territory	2001
Total	**190,512**	Kentucky	803	Oklahoma	913
		Louisiana	805	Oregon	3,523
Alabama	870	Maine	319	Pennsylvania	6,607
Alaska	76	Maryland	3,934	Rhode Island	548
Arizona	3,262	Massachusetts	8,915	South Carolina	1,172
Arkansas	366	Michigan	6,694	South Dakota	168
California	45,283	Minnesota	5,641	Tennessee	1,573
Colorado	4,309	Mississippi	298	Texas	12,552
Connecticut	3,629	Missouri	1,757	Utah	1,640
Delaware	752	Montana	309	Vermont	776
District of Columbia	216	Nebraska	435	Virginia	2,671
Florida	5,844	Nevada	1,088	Washington	5,573
Georgia	3,399	New Hampshire	1,324	West Virginia	243
Hawaii	223	New Jersey	7,651	Wisconsin	3,527
Idaho	3,340	New Mexico	750	Wyoming	134
Illinois	7,090	New York	13,540	Puerto Rico	58
Indiana	2,676	North Carolina	4,234	Virgin Islands	2
Iowa	1,180	North Dakota	133	U.S. Pacific Islands /2	3
Kansas	893	Ohio	6,790	United States /3	1

1/ Data include utility, plant, design, and reissue applications.

2/ Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

3/ No State indicated in database.

TABLE 8

PATENTS ISSUED TO RESIDENTS OF THE UNITED STATES /1
(FY 2001)

State/Territory	2001	State/Territory	2001	State/Territory	2001
Total	**101,619**	Kentucky	580	Oklahoma	637
		Louisiana	576	Oregon	1,508
Alabama	456	Maine	158	Pennsylvania	4,013
Alaska	57	Maryland	1,629	Rhode Island	343
Arizona	1,843	Massachusetts	4,048	South Carolina	651
Arkansas	249	Michigan	4,419	South Dakota	90
California	21,469	Minnesota	3,027	Tennessee	1,005
Colorado	2,168	Mississippi	207	Texas	6,980
Connecticut	2,138	Missouri	994	Utah	809
Delaware	436	Montana	155	Vermont	505
District of Columbia	75	Nebraska	267	Virginia	1,287
Florida	3,282	Nevada	410	Washington	2,229
Georgia	1,672	New Hampshire	715	West Virginia	154
Hawaii	104	New Jersey	4,424	Wisconsin	2,334
Idaho	1,716	New Mexico	385	Wyoming	66
Illinois	4,516	New York	7,334	Puerto Rico	17
Indiana	1,709	North Carolina	2,296	Virgin Islands	5
Iowa	845	North Dakota	107	U.S. Pacific Islands /2	2
Kansas	403	Ohio	4,112	United States /3	3

1/ Data include utility, plant, design, and reissue applications.

2/ Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

3/ No State indicated in database.

TABLE 9

UNITED STATES PATENT APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES /1

(FY 1997 - FY 2001)

Residence	1997	1998	1999		2000	2001
Total	**102,248**	**110,461**	**125,423**		**136,102**	**154,205**
Albania	2	1	-		-	-
Algeria	-	-	-		1	2
Andorra	155	2	1		-	3
Anguilla	2	-	1		-	-
Antigua & Barbuda	1	1	-		-	-
Argentina	81	121	102		138	146
Armenia	1	1	1	/3	1	4
Aruba	-	-	-		-	1
Australia	1,270	1,450	1,507		1,887	2,088
Austria	590	665	871		887	945
Azerbaijan	1	2	1		1	2
Bahamas	12	21	14		17	14
Bahrain	-	1	2		1	-
Bangladesh	-	-	-		-	1
Barbados	1	1	3		7	4
Belarus	6	3	6		11	4
Belgium	974	1,034	1,207		1,338	1,341
Belize	1	1	-		-	-
Benelux Convention	1	-	-		-	-
Bermuda	2	5	7		15	4
Bolivia	1	2	2		-	1
Bosnia & Herzegovina	-	1	1		1	-
Botswana	-	1	-		-	-
Brazil	157	167	206		240	247
British Virgin Islands	3	2	2		3	2
Brunei	-	-	-		-	2
Bulgaria	10	15	2		23	10
Canada	4,972	5,975	7,006		7,146	7,802
Cayman Islands	4	2	7		4	8
Chile	13	18	14		28	29
China (Hong Kong)	448	457	757		837	1,008
China (People's Republic)	215	289	271		437	694
Columbia	9	14	21		24	28
Cook Islands	-	-	-		-	-
Costa Rica	14	20	8		29	8
Cote D'Ivorie	-	-	1		-	-
Croatia	20	18	15		18	22
Cuba	2	4	5		14	6
Cyprus	4	-	4		2	7
Czech Republic	22	39	37		58	83
Czechoslovakia	14	22	15		-	-
Denmark	724	776	938		941	1,130
Djibouti	1	-	-		-	-
Dominica	-	-	1		2	-
Dominican Republic	4	3	-		4	1
Ecuador	8	2	5		6	8
Egypt	8	8	19		21	16
El Salvador	1	1	1		2	3
EPO	28	-	-		-	-
Estonia	1	1	7		7	7
Ethiopia	1	-	-		-	-
Falkland Islands	-	-	-		-	-
Fiji	-	1	2		-	2

Residence	1997	1998	1999		2000	2001
Finland	946	910	1,309		1,475	1,799
French Polynesia	-	-	-		2	-
France	5,093	5,414	6,398		6,859	7,154
French Guiana	-	-	-		-	-
Gabon	-	-	-		-	-
Georgia	16	6	2		1	5
Germany	12,908	13,799	17,446		17,858	19,776
Ghana	4	-	1		-	-
Greece	21	47	47		45	48
Guadeloupe	1	-	-		-	-
Guatemala	5	3	2		1	12
Guyana	-	-	-		-	1
Guinea	-	1	-		2	-
Haiti	1	-	-		-	-
Honduras	5	5	6		1	1
Hungary	42	69	115		116	91
Iceland	13	28	30		39	39
India	135	182	263		389	636
Indonesia	10	7	26		15	10
Iran	16	16	2		1	4
Iraq	1	-	-		-	1
Ireland	130	197	264		339	401
Israel	1,220	1,499	1,938		2,477	2,781
Italy	2,472	2,449	2,835		3,031	3,185
Jamaica	1	4	4		2	1
Japan	44,318	46,569	47,413		54,365	62,676
Jordan	1	5	5		-	4
Kazakhstan	1	1	10		2	2
Kenya	5	1	8		1	13
Korea, Dem. Republic of	67	63	-		-	-
Korea, Republic of	4,957	5,625	5,634		5,882	6,792
Kuwait	19	13	12		10	6
Kyrgyzstan	-	-	1		-	-
Laos	-	-	-		-	-
Latvia	1	5	2		2	5
Lebanon	2	3	5		4	9
Lesotho	1	-	-		-	-
Liechtenstein	21	15	26		26	33
Lithuania	4	2	3		4	8
Luxembourg	63	49	51		65	77
Macau	1	-	2		-	4
Madagascar	-	-	1		-	2
Macedonia	-	-	-		3	2
Malaysia	61	58	74		94	144
Maldives	1	-	-		-	-
Mali	1	1	-		-	-
Malta	-	2	-		1	6
Marshall Islands	-	-	-		-	1
Mauritius	-	1	-		-	1
Mexico	146	152	172		180	220
Moldova	-	1	-		1	2
Monaco	11	13	14		26	29
Mongolia	-	-	-		-	-
Montserrat	-	-	-		-	-
Morocco	1	3	1		5	1

TABLE 9 CONT.

UNITED STATES PATENT APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES /1

(FY 1981 - FY 2001)

Residence	1997	1998	1999	2000	2001
Myanmar	-	1	-	-	-
Namibia	2	-	1	-	-
Nauru	1	1	-	-	-
Nepal	-	-	-	-	-
Netherlands	1,978	1,914	2,158	2,446	2,822
Netherlands Antilles	-	3	1	-	1
New Caledonia	1	2	-	-	-
New Zealand	218	204	249	296	355
Nicaragua	1	-	-	-	1
Niger	1	1	-	-	-
Nigeria	1	3	1	5	7
Norway	312	341	399	465	452
Pakistan	8	3	2	6	2
Palau	-	-	1	-	-
Panama	2	4	8	4	10
Paraguay	1	1	-	2	-
Peru	5	3	8	6	8
Philippines	42	21	28	32	47
Poland	29	16	27	35	43
Portugal	12	17	29	22	27
Romania	13	9	5	10	13
Russian Federation	242	271	360	384	417
Saint Kitts & Nevis	-	-	2	2	2
San Marino	-	-	-	-	1
Saudi Arabia	23	24	17	24	32
Senegal	1	1	-	-	-
Seychelles	1	2	-	-	1
Sierra Leone	2	-	-	-	-
Singapore	244	315	444	680	766
Slovakia	3	10	5	10	3
Slovenia	24	26	20	27	21
Solomon Islands	-	-	-	-	-
South Africa	197	215	243	199	259
Soviet Union	2	1	-	-	-
Spain	458	442	481	595	611
Sri Lanka	2	3	13	8	8
St. Lucia	-	-	-	-	1
Suriname	-	2	-	1	-
Swaziland	14	17	-	-	-
Sweden	2,062	2,390	2,770	2,840	3,001
Switzerland	1,782	1,897	2,245	2,318	2,494
Syria Arab Rep	1	-	5	3	-
Taiwan	6,349	7,627	11,392	10,380	12,403
Tanzania	1	-	-	1	1
Thailand	32	34	61	91	106
Trinidad & Tobago	1	2	1	8	1
Tunisia	-	-	1	-	1
Turkey	2	26	35	27	31
Turks and Caicos Islands	-	-	-	2	5
Uganda	1	1	4	-	-
Ukraine	26	31	20	23	39
United Arab Emirates	5	6	7	6	2
United Kingdom	5,589	6,072	7,128	7,613	8,464
Uruguay	2	5	4	2	7
Uzbekistan	-	3	4	3	-
Vatican City	-	-	-	-	-
Venezuela	35	43	44	42	65
Vietnam	2	1	1	1	5
Yemen	-	1	-	-	-
Yugoslavia	7	6	6 /3	7	4
Zaire	-	-	-	-	-
Zimbabwe	-	3	1	1	1
Other /2	5	75	-	-	-

- Represents zero.

1/ Data include utility, design, plant, and reissue applications. Country listings include possessions and territories of that country unless listed separately in the table.
2/ Country of origin information not available.
3/ Revised from FY 1999 Report

TABLE 10

PATENTS ISSUED BY THE UNITED STATES TO RESIDENTS OF FOREIGN COUNTRIES /1

(FY 1997 - FY 2001)

Residence	1997	1998	1999		2000	2001
Total	**53,682**	**68,796**	**70,047**		**81,675**	**86,203**
Albania	-	-	-		1	-
Algeria	-	-	1	/2	-	1
Andorra	-	2	1		-	-
Anguilla	-	1	-		-	-
Antigua & Barbuda	-	-	-		1	-
Argentina	41	41	45		65	58
Armenia	-	-	-		1	1
Aruba	2	-	-		2	-
Australia	592	754	795		885	1,041
Austria	391	413	443		544	653
Azerbaijan	-	-	1		1	-
Bahamas	5	13	12		13	12
Bahrain /2	1	-	-		3	-
Barbados	-	-	1		-	2
Belarus	4	7	5		4	5
Belgium	559	713	667		807	805
Bermuda	1	1	2		-	5
Bolivia	-	1	-		3	-
Bosnia and Herzogovinia	-	-	-		-	1
Brazil	72	79	87		122	127
British Virgin Islands	-	3	2		1	1
Bulgaria	4	2	5		2	5
Canada	2,803	3,302	3,498		4,060	4,157
Cayman Islands	5	6	4		6	6
Chile	4	16	12		15	15
China (Hong Kong)	255	361	395	/2	540	603
China (Mainland)	59	87	86	/2	143	239
Colombia	8	7	4		6	13
Cook Islands	-	-	-		-	-
Costa Rica	7	2	10		12	8
Croatia	8	10	17		11	8
Cuba	4	4	4		1	4
Cyprus	2	-	-		1	1
Czech Republic	13	15	18		42	32
Czechoslovakia	9	8	7		8	7
Denmark	362	533	551		536	532
Dominica	-	-	-		1	2
Dominican Republic	-	-	3		2	3
Ecuador	-	7	4		-	3
Egypt	2	1	1		6	10
El Salvador /2	1	1	-		-	3
Estonia	-	-	1		2	4
Faroe Islands	-	-	-		-	-
Finland	482	576	665		679	778
France	3,121	3,823	3,802		4,392	4,576
French Guiana	-	-	-		-	-
French Polynesia	-	-	-		-	1
Georgia	1	-	-		1	2
Germany	7,180	9,304	9,113		10,978	12,128
Ghana	-	-	1		-	-
Gibralter	-	-	-		1	-
Greece	14	17	21		22	23
Guadeloupe	-	-	-		-	-
Guatemala	1	2	2		2	-
Guinea	-	-	-		1	-
Haiti	1	-	1		-	-
Honduras	1	1	5		1	-
Hungary	32	46	38		41	57
Iceland	4	6	10		15	23
India	43	80	109		123	159
Indonesia	12	9	4		15	9
Iran	-	1	1		-	1
Ireland	77	74	104		128	174
Israel	573	760	748		856	1,023
Italy	1,422	1,754	1,595		1,915	2,052
Jamaica	1	1	1		2	1
Japan	24,314	30,490	30,425		34,563	34,875
Jordan	5	2	2		-	3
Kazakhstan	-	2	1		4	3
Kenya	1	1	2		1	4
Korea, Dem. Republic of	-	-	-		-	-
Korea, Republic of	1,828	3,052	3,477		3,699	3,783
Kuwait	1	4	12		11	4
Kyrgyzstan	-	-	-		-	2
Latvia	-	1	2		2	-
Lebanon	1	1	3		3	4
Liechtenstein	10	16	15		19	22
Lithuania	2	1	4		2	4
Luxembourg	28	47	46		48	46
Macau	-	-	-		-	-
Madagascar	-	-	-		1	1
Malaysia	26	38	27		51	51
Malta	1	2	-		2	2
Marshall Islands	-	-	1		-	-
Mauritius	-	-	-		1	-
Mexico	48	83	79	/2	107	95
Moldova, Republic	-	-	3		-	-
Monaco	7	9	12		14	21
Morocco	-	2	1		2	2
Myanmar	-	-	1		-	-
Namibia	-	-	-		1	-
Netherlands	878	1,282	1,322		1,484	1,465
Netherlands Antilles	-	1	1		2	-
New Caledonia	-	1	-		-	-
New Zealand	95	135	140		149	147
Nicaragua	-	-	1		-	-
Nigeria	2	1	1		2	-
Norfolk Island	-	-	1		-	-
Norway	156	217	224		266	292
Pakistan	1	1	1		4	2
Panama	1	-	-		3	1
Paraguay	-	-	1		-	-
Peru	2	1	5		4	6
Philippines	15	25	16		17	14
Poland	15	16	21		9	20
Portugal	6	9	11		10	16
Palau	-	-	-		1	-
Qatar	-	-	-		1	-

TABLE 10 CONT.

PATENTS ISSUED BY THE UNITED STATES TO RESIDENTS OF FOREIGN COUNTRIES /1

(FY 1997 - FY 2001)

Residence	1997	1998	1999	2000	2001
Romania	1	-	5	4	10
Russian Federation	113	175	174	192	242
Saint Kitts & Nevis	-	2	-	1	2
Saint Vincent/The Grenadines	-	-	-	-	-
San Marino	-	-	1	-	-
Saudi Arabia	16	12	12	21	13
Singapore	111	122	134	220	299
Slovakia	2	2	6	3	3
Slovenia	9	15	13	18	22
South Africa	112	126	115	145	144
Soviet Union	7	6	2	3	-
Spain	176	285	262	321	350
Sri Lanka	1	2	1	2	5
Suriname	-	-	1	1	1
Sweden	996	1,258	1,368	1,805	1,946
Switzerland	1,176	1,339	1,310	1,516	1,574
Syrian Arab Rep	-	-	1	4	1
Taiwan	2,490	3,543	4,105	5,578	6,766

Residence	1997	1998	1999	2000	2001
Tanzania	-	-	-	-	1
Thailand	16	14	23	36	46
Trinidad & Tobago	-	3	1	-	2
Tunisia	-	1	-	-	-
Turkey	5	3	2	5	14
Turks and Caicos Islands	1	1	-	1	1
Uganda	-	-	-	-	1
Ukraine	11	15	16	13	28
United Arab Emirates	1	1	-	3	7
United Kingdom	2,787	3,548	3,686	4,241	4,425
Uruguay	4	3	4	-	1
Uzbekistan	-	1	-	3	2
Venezuela	20	30	40	31	33
Vietnam	-	-	1	1	-
Yemen	-	-	-	-	-
Yugoslavia	4	5	3	4	4
Zaire	1	-	-	-	-
Zimbabwe	-	-	1	1	1

- Represents zero.

1/ Data include utility, design, plant, and reissue patents. Country listings include possessions and territories of that country unless separately listed in the table
2/ Revised from FY 1999 Report

TABLE 11

STATUTORY INVENTION REGISTRATIONS (SIRs) PUBLISHED

(FY 1997 - FY 2001)

Assignee	1997	1998	1999	2000	2001
Air Force	5	4	1	-	11
Army	5	-	4	2	4
Energy	-	1	1	1	2
Navy	11	6	8	5	20
USA /1	5	1	2	-	1
Other Than U.S. Government	57	56	37	50	93
Total	**83**	**68**	**53**	**58**	**131**

- Represents zero
1/ United States of America - no agency indicated in data base

TABLE 12

UNITED STATES GOVERNMENT AGENCY PATENTS /1

(FY 1991 - FY 2001)

AGENCY	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	TOTAL
Agriculture	52	48	57	38	44	48	39	68	79	57	65	595
Air Force	126	138	126	130	104	101	78	81	83	79	103	1,149
Army	129	172	147	194	163	138	169	160	146	151	151	1,720
Commerce	15	17	21	28	35	22	21	16	20	19	21	235
Energy	218	218	193	201	146	60	70	69	48	51	68	1,342
EPA	5	4	7	5	4	7	9	2	4	6	11	64
FCC	-	-	-	-	-	-	-	-	1	-	-	1
HEW/HHS	46	67	88	99	96	110	144	148	153	119	98	1,168
Interior	14	23	9	10	13	20	6	3	6	5	7	116
Library of Congress	-	-	-	-	1	1	-	-	-	-	-	2
NASA	124	166	155	148	157	102	92	104	87	98	92	1,325
Navy	384	314	333	360	352	299	279	347	306	369	326	3,669
NSA	3	3	5	6	4	3	1	3	7	16	11	62
Postal Service	1	-	-	-	1	1	1	-	-	-	2	6
State Department	-	-	-	-	1	-	-	-	-	-	1	2
Transportation	2	-	2	1	-	-	-	3	1	3	-	12
Treasury	-	-	-	-	-	-	1	-	-	-	-	1
TVA	8	5	1	2	5	4	4	2	6	2	3	42
USA /2	10	10	9	3	9	5	9	7	8	1	1	72
VA	-	-	-	-	-	-	-	-	-	-	1	1
Total	**1,137**	**1,185**	**1,153**	**1,225**	**1,135**	**921**	**923**	**1,013**	**955**	**976**	**961**	**11,584**

- Represents zero

1/Data in this table represent utility patents assigned to agencies at the time of patent issue.

2/ United States of America - no agency indicated in database.

TABLE 13A

EX PARTE REEXAMINATION

(FY 1997 - FY 2001)

ACTIVITY	1997	1998	1999	2000	2001
Requests filed, total	**376**	**350**	**385**	**318**	**296**
By patent owner	157	168	173	137	144
By third party	215	178	181	172	150
Commissioner ordered	4	4	31	9	2
Determinations on requests, total	**391**	**348**	**367**	**338**	**342**
Requests granted:					
By examiner	357	315	327	320	263
By petition	4	2	1	2	2
Requests denied	30	31	39	16	77
Requests known to have related litigation	**65**	**66**	**62**	**80**	**80**
Filings by discipline, total	**376**	**350**	**385**	**318**	**296**
Chemical	123	120	138	96	90
Electrical	100	94	107	103	89
Mechanical	153	136	140	119	117

TABLE 13B

INTER PARTES REEXAMINATION

(FY 2000 - FY 2001)

ACTIVITY	2000	2001
Requests filed, total	**0**	**1**
Determinations on requests, total		
Requests granted:	**0**	**0**
By examiner	0	0
By petition	0	0
Requests denied	0	0
Requests known to have related litigation	**0**	**0**
Filings by discipline, total	**0**	**1**
Chemical	0	1
Electrical	0	0
Mechanical	0	0

TABLE 14

SUMMARY OF CONTESTED PATENT CASES

(Within the Patent and Trademark Office, as of September 30, 2001)

ITEM	TOTAL
Ex parte cases	
Appeals /1	
Cases Pending as of 9/30/00	6,322
Cases Filed During FY 01	3,854
Disposals During FY 01, total	
Decided, total	**5,126**
Affirmed	1,541
Affirmed-in-Part	465
Reversed	1,884
Dismissed / Withdrawn	143
Remanded	1,093
Cases Pending as of 9/30/01	**5,050**
Rehearings	
Cases Pending as of 9/30/01	36
Inter partes cases	
Cases pending as of 9/30/00	286
Cases declared or reinstituted during FY 01	124
Inter partes cases, FY 01 total	**410**
Cases terminated during FY 01	193
Cases pending as of 9/30/01	**217**

1/ Jurisdiction of an appeal passes to the Board of Patent Appeals and Interferences after the examiner has written the answer and after the time for filing a reply brief to the answer has passed.

TABLE 15

SUMMARY OF TRADEMARK EXAMINING ACTIVITIES

(FY 1997 - FY 2001)

ITEM	1997	1998	1999	2000	2001
Applications for Registration:					
Applications including Additional Classes	224,355	232,384	295,165	375,428	296,388
Applications Filed	188,080	193,034	240,308	296,490	232,939
Disposal of Trademark Applications:					
Registrations including Additional Classes	112,509	106,279	104,324	127,794	124,502
Abandonments including Additional Classes	64,409	71,838	77,184	101,099	142,973
Trademark First Actions including Additional Classes	226,651	238,191	338,937	352,325	464,618
Applications Approved for Publication including Additional Clases	149,721	145,209	181,366	203,251	235,419
Certificates of Registration Issued: /1					
1946 Act Principal Register	60,416	56,730	57,046	73,888	61,152
Principal Register					
ITU-Statements of Use Registered	33,131	29,287	26,810	27,170	36,188
1946 Act Supplemental Register	3,747	3,617	3,918	5,325	4,974
Total Certificates of Registration	97,294	89,634	87,774	106,383	102,314
Renewal of Registration:*					
Section 9 Applications Filed	6,720	7,413	7,944	24,435	24,174
Section 8 Applications Filed**	n/a	n/a	n/a	24,099	24,167
Registrations Renewed	7,389	6,504	6,280	8,821	31,477
Affidavits, Sec. 8/15:					
Affidavits Filed	20,781	33,231	33,104	28,920	33,547
Affidavits Disposed	24,533	26,199	29,119	28,894	37,092
Amendments to Allege Use Filed	7,292	6,955	3,554	8,971	8,582
Statements of Use Filed	31,784	37,060	34,367	36,119	47,811
Notice of Allowance Issued	80,693	78,072	82,940	120,177	120,166
Total Active Certificates of Registration	**839,071**	**901,805**	**931,273**	**1,020,126**	**1,063,164**
Pendency - Average Months:					
Between Filing and Examiner's First Action	6.4	7.2	4.6	5.7	2.7
Between Filing, Registration (Use Applications)					
Abandonments, and NOA's	16.9	17.8	18.9	17.3	17.8
Between Filing and Issuing a NOA					
(Intent to Use Applications)	16.3	17.8	18.9	16.0	16.4

1/ With the exception of Certificates of Registration, Renewal of Registration, Affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.
**Renewal of registration is required beginning 10 years following registration concurrent with 20 year renewals coming due.*
***Section 8 Affidavit is required for filing a renewal beginning October 30, 1999 (FY 2000) with the implementation of the Trademark Law Treaty.*

Workload Sources:
Applications Filed are taken from the TRAMPY10AR01 Report.
Registration and Post Registration data is taken from the TRAM Megaspec TMIIMC38-PO1 and TMIIFY15-PO1 Report.
Abandonments are taken from the TRAM TMIIMR08 - PO1 Report.
First Actions and Approvals for Publication are taken from the TRAM Progress Summary Report.
Pendency is taken from the TRAM Examination Pendency Plus Suspended/Inter Partes Cases TMIIPE05-PO3.
Statements of Use are taken from the TRAM TMIIFY20-PO1 Report.
Notices of Allowance Issued are taken from the TMAM TMIIFY25-PO1 Report.
Total Active TM registrations are taken from the TMIIXS40-01TRAM Data Base Statistics report.

- Represents zero.
1/ "Applications filed" refers simply to the number of individual trademark applications received by the PTO. There are, however, 47 different classes of items in which a trademark may be registered. An application must request registration in at least one class, but may request registration in multiple classes. Each class application must be individually researched for registerability. "Applications filed, including additional classes" reflects this fact, and therefore more accurately reflects the Trademark business workload. With the exception of Certificates of Registration, Renewal of Registration, Affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.

TABLE 16

TRADEMARK APPLICATIONS FILED FOR REGISTRATION AND RENEWAL AND TRADEMARK AFFIDAVITS FILED

(FY 1981 - FY 2001)

YEAR	FOR REGISTRATION	FOR RENEWAL	SECTION 8 Affidavit	SEC. 12(C) Affidavit
1981	55,152	5,693	17,071	40
1982	73,621	5,760	15,068	55
1983	51,014	5,438	12,544	46
1984	61,480	5,926	13,519	5
1985	64,677	5,275	8,823	29
1986	69,253	5,660	8,519	19
1987	70,002	5,871	16,644	34
1988	76,813	6,763	18,316	23
1989	83,169	6,127	17,986	104
1990	127,294	6,602	20,636	5
1991	120,365	5,634	25,763	1
1992	125,237	6,355	20,982	25
1993	139,735	7,173	21,999	5
1994	155,376	7,004	20,850	4
1995	175,307	7,346	23,497	-
1996	200,640	7,543	22,169	6
1997	224,355	6,720	20,781	2
1998	232,384	7,413	33,231	-
1999	295,165	7,944	33,104	-
2000	375,428	24,435*	28,920	-
2001	**296,388**	**24,174**	**33,547**	**4**

- Represents zero
**Concurrent 10 and 20 year renewal of registration.*

Registration and Post Registration data is taken from the TRAM Megaspec TMIIMC38-P01 and TMIIFY15-P01 Report.

TABLE 17 SUMMARY OF PENDING TRADEMARK APPLICATIONS

(As of September 30, 2001)

STAGE OF PROCESSING	APPLICATION FILES	CLASSES
Pending applications, total	**510,512**	**684,493**
In preexamination processing	**20,878**	**19,185**
Under examination, total	**358,633**	**495,079**
Applications under initial examination	**196,663**	**272,678**
Amended, awaiting action by Examiner	188,120	262,402
Awaiting first action by Examiner	8,543	10,276
ITU applications pending Use	**113,496**	**150,762**
Applications under second examination	**9,259**	**12,273**
Administrative processing of Statements of Use	1,514	1,894
Undergoing second examination	804	1,042
Amended, awaiting action by Examiner	6,941	9,337
Other pending applications /1	38,308	56,767
In postexamination processing (Includes all applications in all phases of publication and issue and registration)	**131,002**	**170,230**

1/ Includes applications pending before the Trademark Trial and Appeal Board, and suspended cases.

TABLE 18 **TRADEMARKS REGISTERED, RENEWED, AND PUBLISHED UNDER SECTION 12(C) /1**
(FY 1981 - FY 2001)

YEAR	CERTIFICATES OF REGIS. ISSUED	RENEWED	PUBLISHED UNDER	REGISTRATIONS *(Incl Classses)*
1981	31,306	5,884	12(C)	-
1982	39,025	6,070	77	-
1983	41,179	5,695	71	-
1984	45,475	5,678	74	-
1985	63,122	5,177	22	-
1986	48,971	5,550	27	-
1987	47,522	4,415	29	-
1988	46,704	5,884	24	-
1989	51,802	9,209	29	-
1990	56,515	7,122	84	-
1991	43,152	6,416	19	-
1992	62,067	5,733	19	-
1993	74,349	6,182	13	86,122
1994	59,797	6,136	21	68,853
1995	65,662	6,785	11	75,372
1996	78,674	7,346	4	91,339
1997	97,294	7,389	11	112,509
1998	89,634	6,504	11	106,279
1999	87,774	6,280	8	104,324
2000	106,383	8,821	3	127,794
2001	**102,314**	**31,477**	**15**	**124,502**

- Represents zero
1/Includes withdrawn numbers.

TABLE 19 **TRADEMARK APPLICATIONS FILED BY RESIDENTS OF THE UNITED STATES *(FY 2001)***

State/Territory		State/Territory		State/Territory	
Total	**230,787**	Kentucky	1,274	Oklahoma	1,021
		Louisiana	1,084	Oregon	2,486
Alabama	1,317	Maine	645	Pennsylvania	7,418
Alaska	114	Maryland	4,099	Rhode Island	978
Arizona	3,612	Massachusetts	8,265	South Carolina	1,428
Arkansas	601	Michigan	5,092	South Dakota	285
California	48,956	Minnesota	5,121	Tennessee	2,637
Colorado	4,686	Mississippi	445	Texas	12,394
Connecticut	3,902	Missouri	3,521	Utah	2,349
Delaware	3,122	Montana	403	Vermont	604
District of Columbia	2,559	Nebraska	970	Virginia	5,664
Florida	12,566	Nevada	2,463	Washington	4,966
Georgia	5,479	New Hampshire	1,016	West Virginia	242
Hawaii	606	New Jersey	9,561	Wisconsin	3,312
Idaho	631	New Mexico	555	Wyoming	217
Illinois	11,468	New York	25,054	Puerto Rico	-
Indiana	2,380	North Carolina	4,086	Virgin Islands	-
Iowa	985	North Dakota	234	U.S. Pacific Islands /1	2
Kansas	1,270	Ohio	6,642	United States /2	-

- Represents zero

1/ Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

2/ No State indicated in data base, includes APO filings.

TABLE 20 **TRADEMARKS REGISTERED TO RESIDENTS OF THE UNITED STATES / 1**
(FY 2001)

State/Territory		State/Territory		State/Territory	
Total	**103,233**	Kentucky	516	Oklahoma	426
		Louisiana	397	Oregon	1,000
Alabama	424	Maine	299	Pennsylvania	2,593
Alaska	86	Maryland	1,507	Rhode Island	321
Arizona	-	Massachusetts	2,342	South Carolina	508
Arkansas	186	Michigan	2,013	South Dakota	107
California	12,559	Minnesota	2,106	Tennessee	1,034
Colorado	1,469	Mississippi	151	Texas	3,781
Connecticut	1,100	Missouri	1,499	Utah	872
Delaware	25,219	Montana	119	Vermont	210
District of Columbia	791	Nebraska	385	Virginia	1,489
Florida	4,072	Nevada	-	Washington	1,827
Georgia	2,014	New Hampshire	313	West Virginia	85
Hawaii	196	New Jersey	2,576	Wisconsin	1,619
Idaho	-	New Mexico	162	Wyoming	136
Illinois	-	New York	6,923	Puerto Rico	-
Indiana	-	North Carolina	1,553	Virgin Islands	-
Iowa	622	North Dakota	76	U.S. Pacific Islands /2	-
Kansas	512	Ohio	2,931	United States /3	12,107

- Represents zero

1/ When a trademark is registered, the trademark database is corrected to indicate the home state of the entity registering the trademark.

2/ Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

3/ No State indicated in data base, includes APO filings.

TABLE 21

TRADEMARK APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES

(FY 1997 - FY 2001)

Residence	1997	1998	1999	2000	2001
Total	**33,080**	**36,249**	**44,549**	**67,035**	**65,589**
Algeria	-	-	-	1	-
Andorra	7	5	7	3	1
Angola	-	-	1	3	1
Anguilla	4	5	4	14	18
Antigua & Barbuda	7	-	6	15	43
Argentina	98	126	142	326	246
Armenia	-	-	3	9	8
Aruba	5	4	7	5	13
Australia	922	1,018	1,423	2,321	1,731
Austria	226	343	500	632	604
Bahamas	67	95	101	148	153
Bahrain	2	-	4	-	3
Bangladesh	-	-	-	-	7
Barbados	35	14	88	89	92
Belarus	1	3	-	5	-
Belgium	278	321	409	619	548
Belize	1	4	8	9	15
Benelux Convention	13	-	-	8	-
Bermuda	186	97	148	321	258
Bolivia	1	1	1	6	2
Botswana	-	-	-	-	-
Brazil	191	209	211	357	443
British Virgin Islands	159	235	232	696	363
Brunei	1	15	-	-	1
Bulgaria	2	4	13	5	6
Burundi	-	2	-	2	-
Cambodia	1	7	7	6	1
Cameroon	-	3	-	-	-
Canada	6,063	6,499	7,889	9,844	8,086
Cayman Islands	65	64	50	265	190
Central African Republic	-	-	-	-	-
Channel Islands	75	42	-	110	65
Chile	58	58	101	132	207
China (mainland)	308	331	301	438	448
Christmas Island	2	-	-	4	-
Colombia	72	57	79	183	170
Comoros	-	1	-	3	1
Cook Islands	3	3	-	1	10
Costa Rica	26	21	11	25	12
Croatia	1	11	2	9	7
Cuba	5	2	-	1	1
Cyprus	9	28	31	71	34
Czechoslovakia	38	26	30	50	39
Denmark	260	348	382	604	716
Djibouti	-	3	-	-	-
Dominica	8	5	-	2	2
Dominican Republic	59	59	65	62	43
Ecuador	25	28	19	22	40
Egypt	1	5	2	10	24
El Salvador	7	12	9	25	59
EPO	-	1	1	-	-
Estonia	1	-	7	5	13
Ethiopia	-	-	-	1	-
Faroe Islands	-	-	-	-	-
Fiji	3	3	3	1	-
Finland	181	219	340	473	656
France	2,483	3,095	3,695	4,860	4,636
French Polynesia	2	3	2	8	1
French South/Antarctic	-	1	-	-	-
Gabon	1	-	-	-	-
Georgia	-	11	7	7	12
Germany	4,080	4,519	6,307	10,218	9,474
Ghana	1	2	5	-	-
Gibraltar	-	6	48	31	12
Greece	16	22	30	92	22
Greenland	-	-	-	3	-
Grenada	-	2	1	3	3
Guadeloupe	-	4	-	-	-
Guatemala	7	7	18	14	30
Guinea	-	-	1	-	-
Guyana	3	-	2	2	2
Hague	3	-	-	-	-
Haiti	4	5	3	-	8
Honduras	7	15	3	3	4
Hong Kong	437	478	625	1,097	898
Hungary	15	11	21	31	48
Iceland	8	24	26	50	64
India	93	78	123	252	214
Indonesia	37	29	23	31	50
Iran	77	-	-	-	3
Ireland	252	223	386	560	469
Isle of Man	108	41	28	38	34
Israel	333	431	621	1,033	835
Italy	1,557	1,562	1,868	2,548	2,380
Jamaica	10	40	33	51	56
Japan	2,845	2,883	3,028	4,273	9,008
Jordan	4	2	28	7	13
Kazakhstan	1	-	-	-	-
Kenya	3	2	-	5	42
Korea, Dem. Republic of	10	1	5	4	-
Korea, Republic of	419	436	498	943	913
Kuwait	4	2	8	7	7
Latvia	7	2	3	3	4
Laos	1	-	-	-	-
Lebanon	1	2	14	4	13
Liberia	3	2	2	3	-
Liechtenstein	47	100	110	149	89
Lithuania	-	-	-	2	3
Luxembourg	120	113	137	198	135
Macau	4	7	2	-	1
Macedonia	2	-	1	-	1
Malawi, Republic of	-	-	-	-	-
Malaysia	49	46	42	94	66
Mali	-	-	-	-	-
Malta	3	3	1	26	6
Marshall Islands	-	1	-	-	2
Martinique	6	-	-	1	1
Mauritania	-	1	-	2	-

TABLE 21 CONT.

TRADEMARK APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES

(FY 1997 - FY 2001)

Residence	1997	1998	1999	2000	2001
Mauritius	-	1	18	61	30
Mayotte	-	-	1	-	-
Mexico	669	677	852	809	982
Micronesia	-	1	-	1	-
Moldova	-	-	-	1	2
Monaco	39	87	104	70	136
Mongolia	3	-	-	3	-
Morocco	1	2	7	2	-
Myanmar	3	-	-	-	-
N. Mariana Island	1	-	2	-	-
Namibia	-	-	-	-	3
Nauru	-	-	-	-	-
Navassa Island	-	-	-	-	-
Nepal	-	1	-	-	5
Netherlands	1,062	1,207	1,472	2,220	2,063
Netherlands Antilles	77	39	97	92	64
New Caledonia	-	-	4	-	1
New Hebrides	-	2	-	-	1
New Zealand	162	218	314	324	359
Newfoundland	-	-	2	1	2
Nicaragua	5	4	2	3	5
Nigeria	1	-	-	9	-
Norway	133	240	226	317	319
Oman	-	-	-	4	2
Pakistan	5	2	10	6	5
Panama	30	28	46	20	36
Papua New Guinea	-	-	-	-	-
Paraguay	2	1	4	4	4
Peru	6	7	10	20	27
Philippines	27	17	19	15	42
Pitcairn Islands	-	-	-	-	-
Poland	20	24	26	41	64
Portugal	57	57	95	110	134
Qatar	-	-	1	1	6
Reunion	3	-	-	2	-
Romania	7	3	9	2	14
St. Kitts & Nevis	-	1	-	-	-
Saint Lucia	-	-	-	-	-
Saint Pierre/Mique	2	-	-	-	-
Saint Vincent/Grenadines	-	-	12	1	14
Samoa	2	-	2	1	-
San Marino	1	4	-	-	6
Saudi Arabia	5	21	10	29	22
Scotland	64	82	105	51	95

Residence	1997	1998	1999	2000	2001
Senegal, Republic of	-	-	-	-	1
Seychelles	1	1	11	1	5
Sierra Leone	-	-	-	-	-
Singapore	203	161	186	419	339
Slovakia	2	8	-	-	3
Slovenia	15	9	10	18	8
Solomon Islands	-	-	-	-	4
Somalia	-	-	-	-	-
South Africa	144	142	169	263	206
Russian Federation	52	46	110	135	111
Spain	658	690	694	1,149	1,035
Sri Lanka	6	8	3	28	7
Sudan	-	-	-	-	-
Suriname	-	-	1	-	1
Swaziland	1	33	5	7	57
Sweden	798	961	1,213	1,722	1,490
Switzerland	1,566	1,674	2,032	3,385	3,023
Taiwan	724	774	961	1,283	1,060
Tajikistan	-	1	-	-	-
Tanzania	-	2	-	-	-
Thailand	34	38	88	82	78
Tokelau	2	-	-	-	1
Tonga	-	1	-	-	-
Trinidad & Tobago	10	9	8	8	11
Tunisia	7	-	1	4	1
Turkey	43	61	46	61	131
Turks and Caicos Islands	10	2	6	12	2
Uganda	1	-	-	-	-
Ukraine	-	2	1	6	17
United Arab Emirates	13	6	19	19	61
United Kingdom	3,784	4,265	5,056	9,367	7,860
Uruguay	2	16	22	34	17
Uzbekistan	-	-	-	-	-
Vanuatu	-	-	3	21	9
Venezuela	57	53	50	116	115
Vietnam	1	7	5	14	5
Yemen	2	-	-	-	-
Yugoslavia	9	1	-	-	-
Yukon Territory	-	-	1	-	-
Zaire	-	-	-	-	-
Zambia	-	-	1	-	-
Zimbabwe	8	-	3	1	3
Other /1	-	3	2	66	547

- Represents zero.

1/ Country of Origin information not available or not indicated in database, includes ARIPO filings.

TABLE 22

TRADEMARKS REGISTERED TO RESIDENTS OF FOREIGN COUNTRIES
(FY 1997- FY 2001)

Residence	1997	1998	1999	2000	2001
Total	**11,460**	**11,655**	**11,419**	**15,376**	**21,269**
Afghanistan	-	-	-	-	1
Algeria	-	-	1	1	-
Andorra	-	-	1	1	1
Angola, Republic of	-	-	-	-	3
Anguilla	-	4	2	2	2
Antigua & Barbuda	6	6	2	5	12
Argentina	46	57	36	43	47
Armenia	-	-	-	-	2
Australia	289	343	312	368	629
Austria	93	75	101	170	217
Azerbaijan	-	1	-	-	-
Bahamas	14	32	21	36	31
Bahrain	-	-	1	1	1
Bangladesh	-	-	-	-	-
Barbados	4	6	11	9	22
Belarus	-	1	-	1	-
Belgium	80	97	120	135	211
Belize	1	-	1	-	4
Benelux Convention	-	-	2	2	-
Bermuda	40	38	43	35	82
Bolivia	-	-	1	3	1
Bosnia & Herzegovina	-	1	-	-	-
Brazil	61	59	66	59	55
British Virgin Islands	35	42	64	-	-
Bulgaria	2	-	2	2	2
Cambodia	-	-	-	2	3,062
Canada	2,059	2,161	2,052	2,460	47
Cayman Islands	27	30	37	29	-
Central African Rep.	-	-	1	-	7
Channel Islands	7	8	14	10	35
Chile	14	33	39	24	197
China (mainland)	81	101	132	182	44
Colombia	37	27	32	21	-
Comoros	-	-	1	-	2
Cook Islands	5	2	1	-	8
Costa Rica	10	7	11	16	-
Croatia	-	1	1	-	4
Cuba	6	10	7	3	8
Cyprus	2	4	4	7	18
Czechoslovakia	2	12	5	13	187
Denmark	105	138	105	178	-
Dominica	1	-	-	-	18
Dominican Republic	16	14	18	19	13
Ecuador	8	4	12	16	3
Egypt	2	2	2	1	4
El Salvador	6	4	3	5	2
Ethiopia	-	-	-	-	-
Faroe Islands	-	1	-	2	4
Fiji	1	1	1	1	135
Finland	106	71	62	111	2,063
France	966	942	943	1,402	-
French Polynesia	-	-	2	-	7
Georgia	-	1	1	7	3,691
Germany	1,268	1,325	1,393	2,255	-
Ghana	2	-	-	-	15
Gibraltar	5	2	1	7	10
Greece	9	15	6	13	-
Greenland	-	-	-	-	-
Grenada	1	-	-	-	7
Guatemala	3	7	7	5	-
Guyana	-	-	1	2	-
Hague	-	-	-	-	1
Haiti	1	2	1	1	3
Honduras	-	2	1	2	267
Hong Kong	163	169	146	194	8
Hungary	5	8	5	6	8
Iceland	3	4	6	7	96
India	30	49	54	48	18
Indonesia	7	15	16	12	5
Iran	5	2	8	8	135
Ireland	51	83	69	76	12
Isle of Man	4	6	13	7	226
Israel	151	170	129	167	1,079
Italy	771	638	644	900	12
Jamaica	16	14	16	23	1,585
Japan	1,017	937	1,034	1,173	6
Jordan	1	2	2	-	-
Kenya	1	2	2	2	1
Kiribati	-	-	-	-	-
Korea, Dem. Republic of	2	1	-	1	-
Korea, Republic of	172	132	159	222	251
Kuwait	-	3	3	1	2
Latvia	-	6	4	-	1
Lebanon	3	5	2	4	6
Liberia	2	5	3	17	12
Libya	-	-	-	-	-
Liechtenstein	35	23	21	-	38
Lithuania	-	-	2	-	-
Luxembourg	26	34	20	86	47
Macau	-	1	1	-	3
Malaysia	6	19	10	18	17
Malta	-	-	1	1	-
Marshall Islands	-	1	-	-	-
Mauritius	-	-	3	-	1
Mexico	220	276	257	316	308
Moldova	-	1	-	-	-
Monaco	13	19	9	18	30
Morocco	5	-	1	4	2
Myanmar	-	-	1	-	-
N. Mariana Island	-	-	1	-	-
Netherlands	362	300	342	489	701
Netherlands Antilles	15	15	6	25	48
New Zealand	61	44	68	88	113
Nicaragua	2	1	2	1	1
Nigeria	-	2	2	11	17
Norway	44	41	53	112	86
Oman	1	-	-	-	-
Pakistan	6	1	1	2	6

TABLE 22 CONT.

TRADEMARKS REGISTERED TO RESIDENTS OF FOREIGN COUNTRIES
(FY 1997- FY 2001)

Residence	1997	1998	1999	2000	2001
Panama	26	24	24	34	28
Papua New Guinea	-	-	-	-	-
Paraguay	2	-	2	2	1
Peru	8	12	7	-	6
Philippines	13	10	13	10	12
Poland	7	9	7	14	7
Portugal	27	25	27	37	39
Romania	3	1	1	-	8
St. Kitts & Nevis	1	-	-	3	1
Saint Lucia	-	-	-	-	-
San Marino	-	-	-	3	-
Saudi Arabia	4	2	8	-	4
Scotland	3	1	1	5	23
Senegal	1	1	-	-	-
Seychelles	-	-	-	-	7
Sierra Leone	1	-	-	-	1
Singapore	60	49	34	44	76
Slovakia	-	1	3	2	1
Slovenia	-	8	3	4	15
South Africa	36	54	41	43	57
Russian Federation	2	8	14	37	35
Spain	222	279	280	263	391
Spratly Islands	5	-	-	-	-
Sri Lanka	6	3	4	5	5
Swaziland	-	-	1	-	2
Sweden	239	238	208	263	476
Switzerland	495	492	445	838	1,028
Syria	-	-	-	-	-
Taiwan	342	367	299	450	569
Thailand	12	20	15	24	42
Trinidad & Tobago	12	7	6	7	5
Tunisia	-	1	1	-	-
Turkey	9	12	13	7	35
Turks and Caicos Islands	2	2	11	6	12
Ukraine	-	-	-	-	3
United Arab Emirates	2	6	4	5	3
United Kingdom	1,248	1,264	1,108	1,531	2,260
Uruguay	12	2	1	1	2
Vanuatu	-	1	-	-	-
Vatican City	1	-	1	-	-
Venezuela	29	19	24	16	21
Vietnam	1	2	4	6	-
Western Samoa	-	-	-	-	-
Yemen	-	2	-	-	-
Yugoslavia	1	1	3	-	1
Zimbabwe	-	-	-	-	1
Other /1	7	14	7	10	26

- Represents zero.

1/ Country of origin information not available.

TABLE 23

SUMMARY OF CONTESTED TRADEMARK CASES

(Within the Patent and Trademark Office, as of September 30, 2001)

ACTIVITY	EX PARTE	CANCELLATIONS	USE	INTERFERENCE	OPPOSITION	TOTAL
Cases pending as of 9/30/01, total	**1,965**	**2,461**	**89**	-	**7,260**	**11,775**
Cases filed during FY 2001	**3,046**	**1,437**	**5**	-	**4,038**	**8,526**
Disposals during FY 2001, total	**2,783**	**1,606**	**9**	-	**4,885**	**9,283**
Before hearing	654	22	-	-	78	754
After hearing	2,129	1,584	9	-	4,807	8,529
Cases pending as of 9/30/01, total	**2,228**	**2,292**	**85**	-	**6,413**	**11,018**
Awaiting decision	46	6	0	-	16	68
In process before hearing /1	2,182	2,286	85	-	6,397	10,950
Requests for extension of time to oppose						**25,322**

- Represents zero
1/ Includes suspended cases.

TABLE 24 ACTIONS ON PETITIONS TO THE COMMISSIONER OF PATENTS AND TRADEMARKS

(FY 1997 - FY 2001)

NATURE OF PETITION	1997	1998	1999		2000	2001
Patent matters	**34,556**	**33,353**	**30,586**	/1	**32,498**	**42,076**
Actions on patent petitions, total						
Acceptance of:	71	35	19		15	22
Amendments filed after payment of issue fee	245	691	69		106	85
Late assignments	685	-	-		-	1,332
Late issue fees	65	62	46		77	72
Late priority papers	17	16	9		24	4
Access	16,691	16,044	17,583		14,111	22,157
Certificates of correction	24	22	52		68	25
Deferment of issue	1,442	926	529		744	1,375
Filing date	-	-	3		-	-
Interference	-	-	-		-	-
Make special:	1	4	-		-	-
Infringement/manufacture	1,179	1,328	1,502		1,574	1,498
Other	4,554	2,690	920		2,323	1,854
Miscellaneous	970	976	1,474		1,698	1,614
Maintenance fees	9	-	-		5	-
Public use	42	39	17		-	-
Reexamination proceedings	54	73	75		73	42
Restriction	2,826	3,466	4,158		5,084	4,231
Revivals	407	419	407		849	1,531
Rule 47 (37 CFR 1.47)	551	2,491	66		75	44
Supervisory authority	838	724	861		942	875
Suspend rules	669	870	-		1,401	2,002
Withdrawal of attorney	761	385	862		1,212	991
Withdrawal from issue	323	127	80		147	121
Change of inventorship	2,132	1,965	1,854		1,970	2,201
Withdrawals of holding of aband./pat. lapse						
Trademark matters						
Actions on trademark petitions, total	**4,657**	**4,479**	**5,863**		**6,858**	**10,374**
Affidavits of Use and extensions	128	192	168		31	-
Decision by examiner	12	7	3		6	23
Filing date restorations /2	1,408	634	1,402		1,311	1,785
Grant application filing date	61	55	656		66	25
Inadvertently issued registrations	237	197	253		233	325
Interferences	1	1	-		2	1
Make special	104	124	160		157	199
Miscellaneous	28	170	76		40	23
Oppositions and extensions	15	9	30		-	6
Record documents affecting title	4	2	2		-	2
Reinstatements /3	1,501	1,307	1,501		2,130	2,043
Restore jurisdiction to examiner	1	3	10		3	2
Review board decisions	21	3	40		6	13
Revive	977	1,552	1,262		2,673	5,633
Section 7 correction/amendment	10	5	14		-	10
Section 9 renewal	7	4	6		3	13
Section 8 or 15	70	32	17		61	60
Section 44(e) Amendment *	-	-	131		102	183
Review Letter of Protest Decision *	-	-	5		3	8
Waive fees/refunds	72	182	127		31	20
Petitions awaiting action as of 9/30						
Patent matters	**3,779**	**2,589**	**2,389**		**1,458**	**699**
Trademark petitions awaiting response	56	74	22		158	503
Trademark petitions awaiting action	560	69	651		3,199	6,060
Trademark pending filing date issues *	-	-	-		189	24

- Represents zero.
/1 Correction to FY 1999 Report
/2 Trademark Applications entitled to a particular filing date; based on clear evidence of Office error.
/3 Trademark Applications restored to pendency; inadvertently abandoned by the Office.
** Not reported in previous years.*

TABLE 25

CASES IN LITIGATION

(Selected Courts of the United States, as of September 30, 2001)

	PATENTS	TRADEMARKS	TOTAL
United States District Courts			
Civil actions pending as of 9/30/00, total	17	5	22
Filed during FY 01	5	5	10
Disposals, total	15	7	22
Affirmed	3	1	4
Modified	-	-	-
Reversed	1	-	-
Remanded	-	-	-
Dismissed	10	6	16
Amicus/intervene	-	-	-
Examiner testimony	-	-	-
Transfer	1	-	-
Civil actions pending as of 9/30/01, total	**7**	**3**	**10**
United States Courts of Appeals /1			
Ex parte cases			
Cases pending as of 9/30/00	32	11	43
Cases filed during FY 01	44	12	56
Disposals, total	48	18	66
Affirmed	26	7	33
Modified	2	-	-
Reversed	3	1	4
Remanded	1	4	5
Dismissed	12	6	18
Amicus/intervene	-	-	-
Examiner testimony	-	-	-
Transfer	2	-	2
Writs of mandamus:			
Granted	-	-	-
Granted-in-part	-	-	-
Denied	1	-	1
Dismissed	1	-	-
Total ex parte cases pending as of 9/30/01	**28**	**5**	**33**

	PATENTS	TRADEMARKS	TOTAL
Inter partes cases			
Cases pending as of 9/30/00	62	127	189
Cases filed during FY 01	16	11	27
Disposals, total	21	13	34
Affirmed	8	6	14
Modified	0	0	-
Reversed	1	2	-
Remanded	1	0	1
Dismissed	11	5	16
Amicus/intervene	-	-	-
Examiner testimony	-	-	-
Transfer	-	-	-
Writs of mandamus:			
Granted	-	-	-
Granted-in-part	-	-	-
Denied	-	-	-
Dismissed	-	-	-
Total inter partes cases pending as of 9/30/01	**57**	**125**	**182**
Total United States Courts of Appeals cases pending as of 9/30/01	**85**	**130**	**215**
Supreme Court			
Ex parte cases			
Cases pending as of 9/30/00	1	-	1
Cases filed during FY 01	3	-	3
Disposals, total	4	-	4
Certiorari denied	3	-	3
Certiorari dismissed	-	-	-
Certiorari granted-affirmed	1	-	1
Certiorari granted-reversed	-	-	-
Cases pending as of 9/30/01, total	**0**	**-**	**0**
Notices of Suit filed in FY 2001	**7,290**	**10,418**	**17,708**

- Represents zero
1/ Includes Federal Circuit and others.

TABLE 26

PATENT CLASSIFICATION ACTIVITY
(FY 1997 - FY 2001)

ACTIVITY	1997	1998	1999	2000	2001
Original patents professionally reclassified - completed projects	114,895	100,474	82,944	53,437	39,209
Subclasses established	6,789	3,569	2,433	1,869	1,878
Reclassified patents clerically processed, total	**417,866**	**393,985**	**193,309**	**128,362**	**145,090**
Original U.S. patents	141,518	119,425	62,584	49,231	51,266
Cross-reference U.S. patents	234,370	189,957	97,615	70,302	84,611
Foreign patents	41,978	84,603	33,110	8,829	9,213

TABLE 27

SCIENTIFIC AND TECHNICAL INFORMATION CENTER ACTIVITY

(FY 2001)

ACTIVITY	QUANTITY
Prior Art Search Services Provided:	
Automated Prior Art Searches Completed	10,828
On-line and Manual Foreign Patent Searches Completed	4,827
Genetic Sequence Searches Completed	9,807
Number of Genetic Sequences Searched	45,242
CRF Submissions Processed	16,521
PLUS Searches Completed	9,140
Document Delivery Services Provided:	
Document Delivery/Interlibrary Loan Requests Processed	51,847
Documents Provided Using Electronic Tools	7,603
Copies of Foreign Patents Provided:	7,306
Copies Purchased by the Public	1,222
Copies Provided to PTO Staff	1,471
Foreign Patents Provided Using Electronic Tools	1,297
Information Assistance and Automation Services:	
One-on-One Examiner Assistance	12,597
Foreign Patents Assistance for Examiners and Public	8,538
Examiner Briefings	2,878
Web Pages Created	284
Translation Services Provided for Examiners:	
Written Translations of Documents	4,244
Number of Words Translated (Written)	13,083,066
Documents Orally Translated	7,801
Collection Usage and Growth:	
Print/Electronic NPL Collection Usage	146,267
Print Books/Subscriptions Purchased	5,799
Print/Microform Foreign Patents Added to Collections	96,439
Full Text Electronic Journal Titles Available	6,630
Full Text Electronic Book Titles Available	6,758
NPL Databases Available for Searching (est.)	1,000
Foreign Patent Databases/Web Sites Accessed	125

ACRONYM AND ABBREVIATION LIST

ABC - Activity Based Cost Accounting

AIPA - American Inventors Protection Act of 1999

AIPLA - American Intellectual Property Law Association

CFO/CAO - Chief Financial Officer / Chief Administrative Officer

CIO - Chief Information Officer

CSRS - Civil Service Retirement System

DOC - U.S. Department of Commerce

DOL - U.S. Department of Labor

EAST - Examiners Automated Search System

EBC - Electronic Business Center

EFS - Electronic Filing System

EFT - Electronic Funds Transfer

EPO - European Patent Office

EU - European Union

FASAB - Federal Accounting Standards Advisory Board

FASB - Federal Accounting Standards Board

FECA - Federal Employees Compensation Act

FEGLI - Federal Employees Group Life Insurance

FEHB - Federal Employees Health Benefit

FERS - Federal Employees Retirement System

FICA - Federal Insurance Contributions Act

FMFIA - Federal Managers' Financial Integrity Act of 1982

FMS - Financial Management Service

FTAA - Free Trade Agreement of the Americas

FY - Fiscal Year

GAAP - General Accepted Accounting Principles

GI - Geographical Indications

GSA - General Services Administration

H.R. - House Resolution

IDO - Information Dissemination Function

IG - Inspector General

INTA - International Trademark Association

IP - Intellectual Property

IPO - Intellectual Property Owners Association

IT - Information Technology

JPO - Japan Patent Office

KSA - Knowledge, Skills, and Abilities

MPEP - Manual of Patent Examining Procedure

NIPLECC - National Intellectual Property Law Enforcement Coordination Council

OACS - Office Action Correspondence Subsystem

OBRA - Omnibus Budget and Reconciliation Act

OHIM - Office for Harmonization in the Internal Market

OIG - Office of the Inspector General

OMB - Office of Management and Budget

PAIR - Patent Application Information Retrieval system

PALM - Patent Application Location and Monitoring system

PBO - Performance Based Organization

PCT - Patent Cooperation Treaty

PDF - Portable Document Format

PICS - Patent Image Capture System

PKI - Public Key Infrastructure

PLT - Patent Law Treaty

POPA - Patent Office Professional Association

POWER - PCT Operations Workflow Electronics Review

PPAC - Patent Public Advisory Committee

PTOnet - USPTO Local Area Network

Pub. L. - Public Law

PWAH - Patent Work-At-Home

RAM - Revenue Accounting and Management system

SFFAS - Statements of Federal Financial Accounting Standards

TARR - Trademark Application Registration Retrieval system

TC - Technology Center

TEAM - Tools for Electronic Application Management

TEAS - Trademark Electronic Application System

TESS - Trademark Electronic Search System

TMOG - On-Line Trademark Official Gazette

TRAM - Trademark Reporting and Monitoring system

TRIP - Trade Related Aspects of Intellectual Property

TWAH - Trademark Work-at-Home

UPR - Utility, Plant and Reissue applications

U.S. - United States

USA - United States of America

USPTO - The United States Patent and Trademark Office

WEST - Web-based Examiner Search System

WCT - WIPO Copyright Treaty

WIPO - World Intellectual Property Organization

WPPT - WIPO Performances and Phonograms Treaty

WTO - World Trade Organization

United States Patent and Trademark Office

Washington, DC 20231

An Agency of the United States Department of Commerce